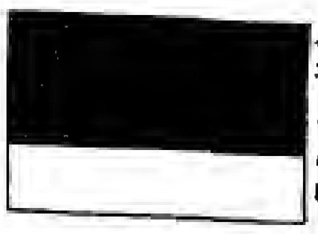

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Estonia pays for a hard currency
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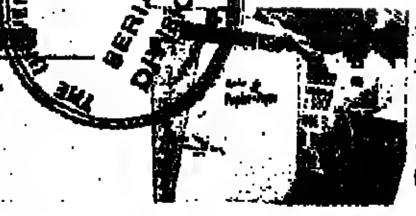

What a waste
Germany's recycling scheme falls apart
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A year after Rio
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FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY JUNE 23 1993 D8523A

US imposes higher duties on steel from 19 countries

THE US Commerce Department yesterday significantly increased many of the preliminary duties it imposed in January on $3.2bn of imported steel products from 19 countries. The move follows 72 dumping and subsidy cases filed last year against producers of flat-rolled steel after efforts to negotiate a multilateral steel agreement collapsed. Page 16; Pace change, US steelmakers told, Page 5

Lloyd's biggest losses: Lloyd's of London reported losses of £2.91bn ($4.36bn) for 1990 – the insurance market's highest ever – and warned that resources to compensate thousands of its hardest hit Names – the individuals whose assets support Lloyd's – were limited. Page 9; Editorial Comment, Page 15; Lex, Page 16

Bank of France pushes franc: The Bank of France said it wanted the franc to be an anchor currency within the European exchange rate mechanism. Page 16; French franc bites back, Page 17; Currencies, Page 34

Bank Governor's warning: Outgoing Bank of England governor Robin Leigh-Pemberton said yesterday that Britain was living beyond its means and needed to cut its fiscal deficit. Interview, Page 14

Russia's reformers seek alliance: Russia's reformist parties are trying to form themselves into an alliance to oppose the well-organised Communist party at elections in the autumn. Page 4

General Motors, which is to move some car production from Mexico to the US, opens talks today with its US union on a three-year pay and conditions deal. Page 18; GM sceptical over VW plant, Page 19

Tobacco companies sue: US tobacco companies Philip Morris and RJR Nabisco sued the US Environmental Protection Agency, alleging its report on passive smoking was unscientific, "arbitrary" and "capricious". Page 6

Kmart profits warning: US discount store Kmart warned of a slump in second-quarter earnings because bad weather had led to disappointing clothing sales. Page 17

Cable and Wireless raised annual pre-tax profits by 15 per cent to £824m ($1.24bn) helped by strong growth at its subsidiary Mercury, the UK telecommunications company. Page 17; Lex, Page 16

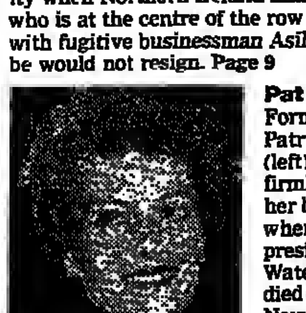
Rebels quit Japan's LDP: Japan's ruling Liberal Democratic party split when rebel faction leader Tsutomu Hata and 43 other MPs handed in their resignations in preparation for the launch today of a new political party. Page 6

US banks seek Russian presence: US banks Citicorp and Chase Manhattan have applied for licences to operate in Russia. Page 17

Cut-price refit bid: The Rosyth naval dockyard in Fife, Scotland, made an unexpected bid for Trident nuclear submarine refit work with a radical cut-price scheme which would require UK government investment of £60m ($90m) – £70m less than the yard's previous bid required. Page 8

Richemont shake-up: Shares in tobacco and luxury goods companies Rothmans International and Dunhill Holdings are expected to be suspended from today after an announcement that they were talking with their parent, Richemont, about a group reorganisation. Page 17

Minister says he will not quit: UK prime minister John Major faced a fresh test of his authority when Northern Ireland minister Michael Mates, who is at the centre of the row over Tory links with fugitive businessman Asil Nadir, made clear he would not resign. Page 9



Pat Nixon dies: Former US first lady Patricia Ryan Nixon (left), who remained firmly at the side of her husband Richard when he resigned the presidency over the Watergate scandal, died at her home in New Jersey after suffering from lung cancer. She was 81

Nureyev treasures for auction: The art collection of the dancer Rudolf Nureyev, who died in January, is expected to raise £4m ($6m) at auctions in London and New York. Page 9

■ STOCK MARKET INDICES

FT-SE 100:	2907.5	(+4.2)
Yield	3.95	
FT-SE Eurotrack 100	1198.69	(+5.38)
FT-A All-Share	1433.01	(+0.1%)
Nikkei	19,538.30	(+325.87)
New York: lunchtime		
Dow Jones Ind Ave	3497.81	(-13.01)
S&P Composite	445.53	(-0.69)

■ US LUNCHTIME RATES

Federal Funds:	$2\frac{15}{16}$%
3-mo Treas Bills: Yld	3.147%
Long Bond	$104\frac{13}{32}$
Yield	6.775%

■ LONDON MONEY

3-mo Interbank	$5\frac{7}{8}$%	(same)
Liffe long gilt future	Jun 107	(Jun $107\frac{1}{4}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$17.535	(17.56)

■ Gold

New York Comex (Aug)	$369.7	(371.1)
London	$368.15	(369.5)

■ STERLING

New York lunchtime:		
$	1.4775	
London:		
$	1.478	(1.4875)
DM	2.5075	(2.5125)
FFr	8.435	(8.4425)
SFr	2.235	(same)
Y	164.5	(165.25)
£ Index	79.7	(79.8)

■ DOLLAR

New York lunchtime:		
DM	1.6935	
FFr	5.6975	
SFr	1.5085	
Y	110.4	
London:		
DM	1.697	(1.689)
FFr	5.7075	(5.675)
SFr	1.513	(1.502)
Y	111.35	(111.1)
$ Index	65.9	(65.6)

Tokyo close Y 111.25

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45		
Croatia	HRD5700	India	Rs40	Nigeria	Naira45	Slovenia	SLT220		
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200		
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20		
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00		
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250		
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000		
						UAE	Dh11.00		

Ferruzzi owes foreign banks $4.25bn, minister says

By Haig Simonian in Milan

FERRUZZI, Italy's troubled industrial group, owes foreign banks about L6,500bn ($4.25bn) Mr Piero Barucci, Treasury minister, told a parliamentary committee in Rome yesterday. The group said last month its total borrowings approached L31,000bn.

Mr Barucci warned of the dangers to Italy's credibility in international financial markets if the crisis at the company were allowed to reach the proportions of last summer's collapse of the Efim state holding company, which has total debts of more than L15,000bn.

He said about 110 foreign banks had lent to Ferruzzi, but did not name them. The fact that Ferruzzi is one of Italy's most international companies, especially on the agro-industrial side, explains the large number of foreign banks involved.

Bankers in Milan suggested the biggest exposure could be among French institutions, given Ferruzzi's traditional interests in that country.

The group controls Eridania Béghin Say, the agro-industrial concern formed in 1991-92 from the merger of Italy's Eridania with Béghin Say, the diversified French sugar company indirectly controlled by Ferruzzi.

The spread of Ferruzzi's operations and its voracious financing needs implies many other leading international banks might have been big lenders.

Mr Barucci sought to calm fears in parliament that the problems at Ferruzzi implied a collapse. "Ferruzzi is Italy's second biggest conglomerate and its activities touch on strategic areas for the country", he said.

It is therefore urgent to intervene, not just in the group's own interest but especially to avoid any risk to the credibility of Italy as a whole".

He emphasised the group was still trading actively and was "industrially healthy". Bankers said Mr Barucci's stress on acting quickly to solve Ferruzzi's debt problems was coloured by his experiences during the Efim affair, and the previous year's collapse of the Federconsorzi farm service group.

Both episodes triggered a bruising battle of wills between foreign bank creditors and the Italian authorities.

The Efim debacle in particular, marked by confusing messages from the government and indications that the Treasury would not fully honour group debts, tarnished Italy's reputation just as the lira was coming under mounting pressure before last September's currency crisis.

The share price of the Ferruzzi Finanziaria holding company fell by more than 12 per cent to L559 yesterday.

● Mr Pier Carlo Marengo, managing director of Credito Italiano said his bank's exposure was about L1,300bn, AP-DJ reports from New York. Despite the scale of Ferruzzi's difficulties he said he was optimistic about the outcome of the situation.

He said although the Ferruzzi family hoped to keep control of Eridania Béghin-Say, "everything else is up for sale".

IG Metall offers deal in exchange for power

By Christopher Parkes in Frankfurt

IG METALL, Germany's biggest and most powerful union, has offered to abandon its traditional negotiating stance, based on demands for higher wages, in return for more worker participation in industry.

The proposal for a complete overhaul of pay and conditions strategies was presented yesterday by Mr Klaus Zwickel, incoming IG Metall president, as the union's contribution to overcoming Germany's economic crisis.

His offer represents a belated bid by the union to stem the tide of one-off in-house deals eroding its influence over the engineering and metalworking industries.

They also follow a persistent campaign from employers, government and the Bundesbank for longer working hours, non-inflationary pay deals, weekend work, fewer holidays and less lavish fringe benefits to combat German industry's fast-fading competitiveness.

IG Metall members at a Stuttgart bus factory recently agreed to return to working a 40-hour week, while national policy remains the institution of a 35-hour week. Bosch, the electronics group, has won agreement for Sunday working in a new plant after threatening to build the factory outside Germany.

According to the latest estimates, there are about 2,000 plant-level agreements in operation, many with better conditions than those offered in national settlements.

Mr Zwickel told a conference that the union would give up its demands for high pay rises "in the coming years" in exchange for improved working and performance-related conditions and more say in the running of companies.

The new character of industrial work in a high-wage country such as Germany demanded a qualified workforce with more scope for taking responsibility and working constructively in teams.

"The reform of agreements should increase humanity and efficiency and also help preserve jobs," Mr Zwickel claimed. Employers had to accept new arrangements, but only within the framework of national pay and conditions agreements, and not in piecemeal deals, he added.

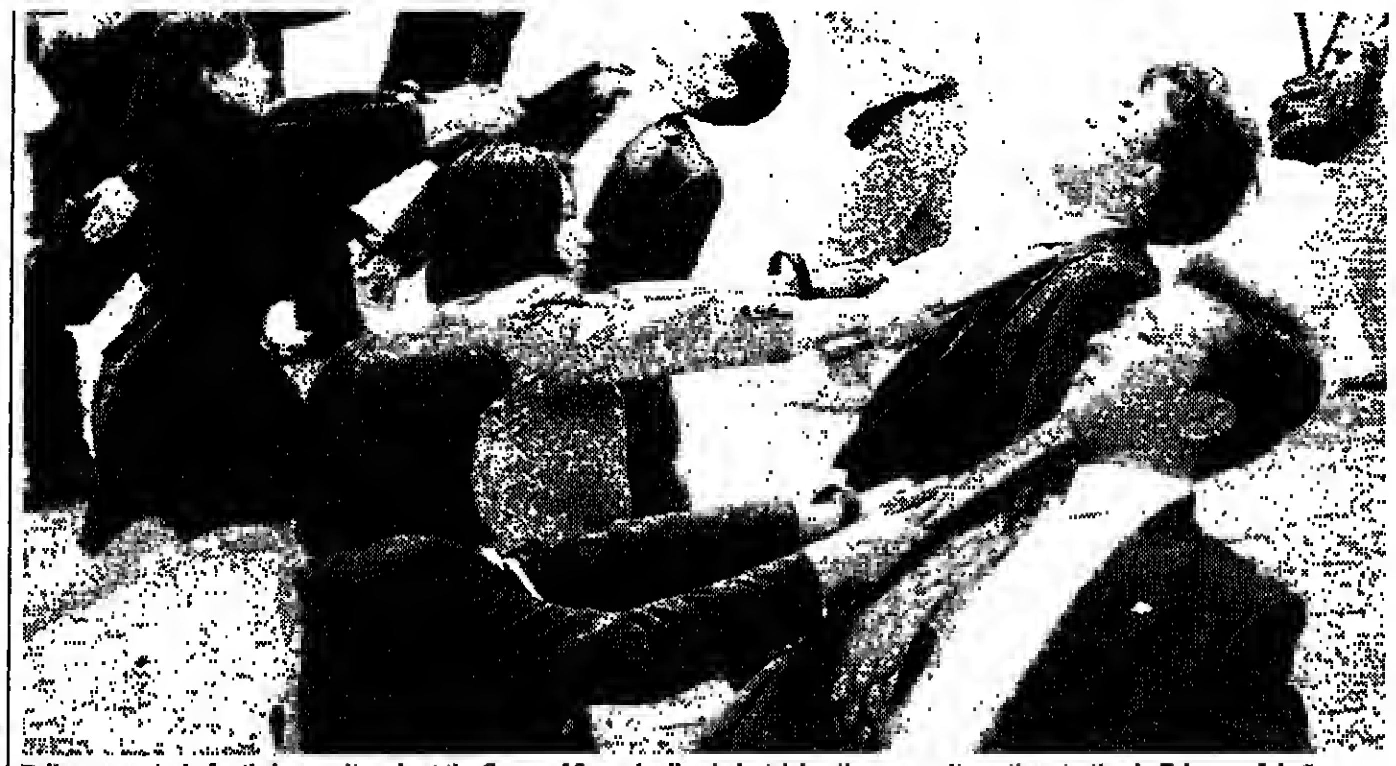
The offer follows a less refined proposal from Mr Franz Steinkühler, the former union president who resigned over an insider trading scandal. Mr Steinkühler said last year that the union was prepared conditionally to accept five years of pay settlements which did no more than preserve members' purchasing power.

His proposals mark a radical change in thinking which has been fiercely debated for months within the union's headquarters.

Ms Karin Benz-Overhage, a member of the IG Metall board, recently appealed for change in the union's centralised decision making while a revolution was taking place at plant level.

Local officials were increasingly confronted by rationalisation and cost-cutting measures.

Upbeat Bundesbank, Page 3
Lex, Page 16



Policewomen train for their security role at the Group of Seven leading industrial nations summit meeting starting in Tokyo on July 7

Kohl unsuccessful in call to relax arms embargo for Moslems

EC promises Bosnia more troops

By Lionel Barber and David Gardner in Copenhagen

EUROPEAN COMMUNITY leaders pledged yesterday to provide more troops and money for the United Nations peacekeeping operation in Bosnia.

The decision defuses an internal row over whether to support a US-German call for lifting the arms embargo on the Bosnian Moslems.

The Community goal is to reinforce protection for the Bosnian Moslem civilian population stranded in six UN-designated "safe areas", but none of the principal Community members came forward with fresh troop commitments.

At the end of a two-day EC summit in Copenhagen dominated by Bosnia and the Community's unemployment and economic growth crisis, Mr Poul Nyrup Rasmussen, Danish prime minister, declared that the meeting would end a long period of uncertainty over the direction of Europe.

Mr Rasmussen, who chaired the summit, described the commitment to send money and troops as a "decent reply" to the escalation of fighting in Bosnia. He predicted that commitments from EC and other governments to supply about 7,500 troops could be mustered within a matter of days or weeks.

EC diplomats expressed hope that the imminent dispatch of reinforcements could encourage the Serbs, Croats and Moslems to narrow their differences in the Geneva peace talks which resume today.

But Chancellor Helmut Kohl of Germany expressed deep disappointment that other EC leaders had rejected his plea for a partial lifting of the arms embargo against the former Yugoslavia during a tense session on Monday night. "It is our moral duty to help the weakest party," he said.

Mr Kohl's intense lobbying effort followed contacts with US President Bill Clinton, who has long advocated a policy of arming the Moslems and possibly launching air strikes against Bosnian Serbs to force them to accept international peace plans.

President François Mitterrand of France, Germany's closest ally, said if the EC was not ready to send troops "within the next few days" then the arms embargo should be lifted.

Mr Mitterrand's intervention galvanised the Twelve into mak-

Continued on Page 16
Background, Page 2

Top EBRD official accuses Attali of misleading him

By Robert Peston, Banking Editor, in London

MR RON FREEMAN, first vice-president of the European Bank for Reconstruction and Development, has taken the offensive in an increasingly heated battle over top management changes at the bank by accusing Mr Jacques Attali, the EBRD president, of misleading him.

He made the allegation at a meeting on Monday of the EBRD's finance committee, when he also accused Mr Attali of ignoring an instruction from the chairman of the bank's governors, Mrs Anne Wibble, the Swedish finance minister, to delay discussion of the reorganisation proposal.

At a meeting yesterday of the bank's directors, who represent countries and agencies which own the bank, Mr Attali made it clear he was pressing ahead with plans to create two new senior vice-presidencies. This would have the effect of demoting Mr Freeman from number two to number four at the bank.

Mr Freeman told the meeting on Monday he felt he had been misled over the past few months. Those present had the impression Mr Freeman was referring principally to being misled by Mr Attali about the proposed reorganisation.

"We got the sense that he felt he had been betrayed in other respects as well," said a bank executive, who called Mr Freeman's outburst "astonishing".

Mr Attali is also proposing that the EBRD's merchant banking deparment, responsible for making investments in private-sector projects in eastern Europe and the former Soviet Union, should be merged with the development banking department, which is in charge of infrastructure projects.

They would be headed by a new chief operating officer, who is likely to be Mr Ernest Stern, currently number two at the World Bank in Washington.

In response, Mr Freeman has taken steps to increase his control of the merchant banking department. He has sent out a message by electronic mail to all members of the department stating that he has relieved Mr Guy de Selliers of his "responsibility of serving as my deputy for the time being".

He said that Mr de Selliers would continue to be responsible for the project work for which he is assigned, but merchant bank team leaders would no longer report to him.

The aim was to "help ease the pressure which Guy has told me he understandably feels", the E-Mail message says.

In reply, Mr de Selliers yesterday sent out a memo saying that

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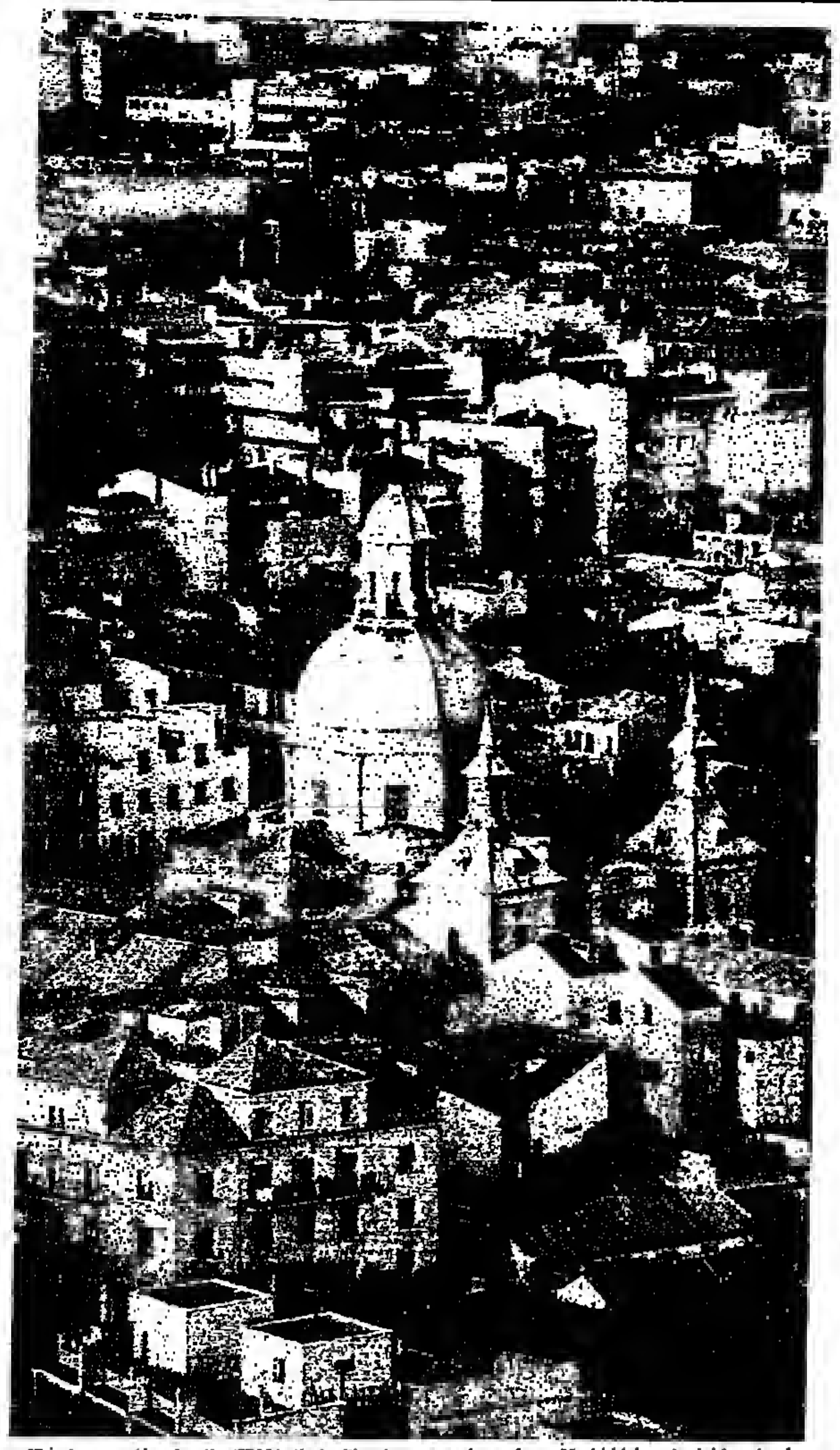
FINANCIAL TIMES SURVEY

SPAIN: BANKING AND FINANCE



The danger of leaving the ERM is that without pressure to perform, Madrid (above) might go to sleep

Mr González must soon decide whether or not to take the peseta out of the exchange rate mechanism of the European Monetary System. Peter Bruce examines the alternatives

Time to grasp the nettle

If Mr Felipe González, prime minister, found earlier this month that winning Spain's closest-ever election was difficult, then winning the battle he now faces against recession may be the end of him. It is time to make some awkward choices.

The one that matters most is whether or not to take the peseta out of the exchange rate mechanism of the European Monetary System. Getting out would take some of the pressure off him to make very rapid economic and political decisions in order to anchor his government - now short of parliamentary majority - in place. But it also means throwing out of the window the European dream for which Mr González has struggled hard for most of his 11 years in office.

To remain in the ERM carries with it an air of determination and confidence but, claim many analysts, also an air of unreality. Can Spain really begin economic recovery with its real interest rates still among the highest in the EC and adopt a promised programme of labour market reform - to make it easier to sack people - while unemployment is rising, and still stay inside the ERM?

The peseta may have been devalued three times in the past nine months, but it still makes Spanish industry relatively uncompetitive.

If Mr González does not take it out of the ERM, then he may find the markets will try to do it for him.

One way this might be avoided is by quickly forming a credibly stable coalition government which immediately announces sharp spending cuts in the 1994 budget, and instituting negotiations with unions and employers on a wages pact and on removing hiring and firing barriers in the labour market.

But even forming a government is fraught with booby traps. Mr González' socialists have 159 seats in the 350-seat parliament, giving him four broad options:

- A minority government which would make deals with whatever forces were necessary to pass specific legislation;
- A minority government in which he would try to make a four-year deal with the Catalan CiU (17 seats) and possibly the Basque PNV (six seats) to support him but not actually to join the government;
- A formal coalition with the CiU, which would give him a parliamentary majority and, perhaps, with the PNV, whose seats would make the team unassailable;
- A formal coalition with the communist-led United Left (IU), whose 19 seats would also guarantee a parliamentary majority.

The two minority options could not in any way be guaranteed to hold for long. Mr González is a superb political manipulator but he is not a magician and the degree of fiscal brutality required of this new government will not allow him to skip happily from party to party for support. And there is no reason to believe that even if the CiU were to make a long-term pact to support the socialists (in return, no doubt, for the transfer to Catalonia of more political power) that they could stick to it. The CiU is a divided, opportunist party.

Any union with the IU would have to be seen as a radical shift to the left by a socialist prime minister who has spent 11 years in government trying to do exactly the opposite.

There may be people in the socialist party who would be comfortable with the IU but Mr González is not one of them. He has said he will only do business with parties committed to the terms of the Maastricht treaty on European economic and political unity, which the IU opposes.

He has to find someone willing to assume the risks of government with him - and the Catalans entering government would be the most secure and credible of all the possible permutations. Mr González would also be more comfortable with the CiU than any other party.

But the CiU is a merger of two parties and a dozen political ideas. From his perch as Catalonia's premier, Mr Jordi Pujol, the CiU leader, regularly shrieks at Madrid for its policy failures. But does he have the vision to help run the country and not just his own backyard?

The world may be about to find out that, while the Catalans deserve their reputation as model small businessmen - careful with their money and serious about debt - they can also be politically provincial and small-minded.

Spain's bankers, their balance sheets battered by bad loans provisions as the recession takes its toll, pray for Mr Pujol to sign up. He, however, has one small problem. What if he joins a national government and it fails to stem job losses and corporate failures? He would pay for it at the next regional election in Catalonia.

He quite reasonably suspects that the left wing of the socialist party will try everything in its power to prevent Mr González implementing the serious labour market reforms and budget cuts necessary to help the country out of recession.

The socialist left has successfully paralysed fiscal restraint in the past four years and Mr González has yet to demonstrate he is both willing and able to force his will upon his own party. What needs to be done once a government is formed is also more or less clear.

First, wage inflation (wages are rising at about 7 per cent this year) must be brought under control. To do this, Mr González needs a social pact - a glorified wages agreement - between government, unions and employers. Each act in this drama will be costly.

To get the unions to the table, he has to get a strike law through the new parliament or at least defend it in the form it was before the election was called. Employers hate this draft law because it gives pickets wide powers of molestation, the socialist party having dramatically watered down an earlier tough version drafted by the government.

But employers are chasing bigger fish - the right to hire and fire more cheaply and more rapidly - and the prospect of landing them will also bring the bosses to the negotiating table. Unions might consider such reform if employers and government pump more money into training.

Analysts say they want these talks to begin soon and that they will be watching for fudges. Without a profound reform of the labour market, it is assumed Spain cannot begin growing again soon.

Second, the 1994 budget will have to cut back sharply on public spending. Until now the government has identified its central fiscal problem as a lack of control over budget deficits. This time, with GDP having fallen by 0.5 per cent in the first quarter and unemployment at a record 21.7 per cent, the planned deficits in nominal and real terms will come under pressure. Also, the budget will have to be brought in on time, at the end of September, giving the government no prospect of a quiet August holiday.

Punishment for delay or failure on any of these fronts is possible expulsion of the peseta from the ERM as speculators bet again on the economy not being as strong as the currency. Mr González may be forced to anticipate such an outcome by taking the peseta out of the ERM. He would need to rationalise such a move as being in the best interests of his country - the same reasons as he gave for entering the system in the first place.

The peseta would probably drift gently down to around Pta85 to the D-Mark (its central parity is Pta79.1 to the German currency now) and stabilise if reasonably strict fiscal policies were put in place, although the time pressure would not be so telling. Interest rates could fall again.

Leaving the ERM need not change Spain and it would only slow, not alter, Mr González's European ambitions. It would be far worse for him if the markets removed the peseta from the system. But lower interest rates would encourage investment and it would be easier to sell labour market reform to the unions in a climate in which employers were hiring again.

The danger of leaving the ERM is that Spain, with the pressure to perform off, would go to sleep. With the currency competitive, businesses might not put off measures needed to improve overall competitiveness. With low interest rates, Spaniards might feel less incentive to save.

But Mr González does not change his mind easily. The betting must be that he will try to hold the peseta inside the ERM and that he will genuinely try to put together the policies to help keep it there. But this time he needs Mr Pujol on the barricades with him.

IN THIS SURVEY

■ **Editorial production:** Phil Sanders

SPAIN: BANKING AND FINANCE 2

■ THE BANK OF SPAIN

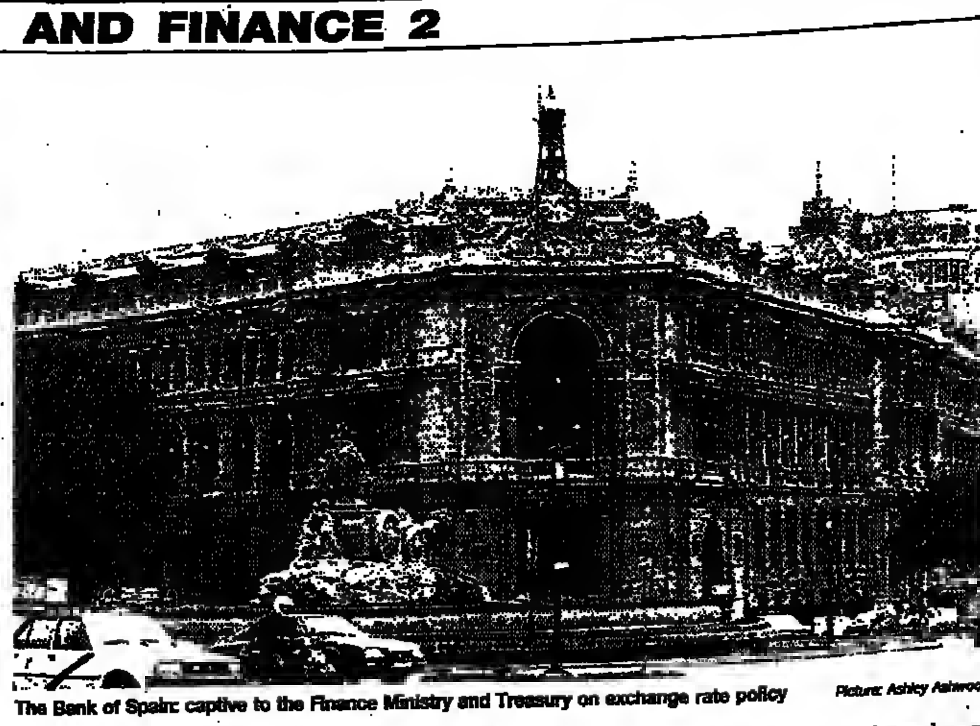
A double-edged sword

THE story about the meeting between Mr Felipe González, the Spanish prime minister, Mr Carlos Solchaga, Spain's finance minister, and Prof Luis Angel Rojo, Governor of the Bank of Spain, late in the afternoon on May 12, says a lot for the *de facto* independence of the Spanish central bank.

Gonzâlez: will try to revive Bank of Spain statute as soon as possible

Rojo: wonders whether EC governments lack courage

Solchaga: told the prime minister the bad news about devaluation



The Bank of Spain: captive to the Finance Ministry and Treasury on exchange rate policy Picture: Ashley Ashwood

Three weeks ahead of a general election, the men had met in the prime ministerial compound outside Madrid to discuss the collapse of the government's four-year effort to hold the peseta among the leading currencies of the European Monetary System. The next day, they would have to devalue.

The Bank of Spain is not yet officially independent so it was up to Mr Solchaga to tell the prime minister the bad news. Tbe decision was taken quickly, whereupon Prof Rojo is understood to have said the Bank would be prepared to accompany the devaluation with an sharp interest rate cut. "Thet," Mr González is reported to bave replied, "is entirely up to you."

The peseta was devalued 8 per cent in the exchange rate mechanism of the EMS the next day and the Bank of Spain cut its benchmark intervention rate by 150 basis points to 11.5 per cent. Three weeks later, his political luck having, incredibly, survived, Mr González was re-elected.

Parliament was already discussing draft legislation to make the Bank of Spain independent of the Finance Ministry when Mr González called an early election. The draft law was withdrawn and, leter, Mr González lost his overall majority in parliament, making the main parties in the country's leading eutonomous regions, Catalonia end tbe Basque Country, power brokers in the new parliament.

It seems likely, then, that while a new coalition or minority government headed by Mr González will try to revive the Bank of Spain statute as rapidly as possible, it may have to be rewritten.

The main opposition, tbe conservative Peoples Party (PP), hed already made its position clear before the election campaign; that it was unhappy with the way the independence statute automatically appointed the present governor and deputy governor to the same jobs in an independent bank.

The PP did not have mucb against Prof Rojo but made clear it wanted some consultation to take place over the appointment of the people who run the new bank.

Most importantly, though, Mr González may come under pressure to allow regional representation on the board of the independent bank; something not provided for in the pre-election draft law but which the regions want – and have the political muscle to achieve.

Regional representation on the central bank board could take many forms – permanent Catalan and Basque seats, perhaps, with two or three others rotating.

At present, the Bank is captive to the Finance Ministry and Treasury on exchange rate policy and, in theory although less and less in practice, on interest rates. Onca control over the peseta passes to the Bank, with the regions represented, the fight to narrow stark economic differences between rich regions such as Catalonia and poor ones such as Extremadura could come to play e very strong role in Bank decision-making.

Independence is, anyway, a double-edged sword. Prof Rojo sometimes wonders whether the way EC governments are approaching central bank independence may not be just a little lacking in courage. Central bankers like himself may soon find themselves not only the masters of their exchange rates but also responsible for the fights their countries are waging against inflation.

In theory, inflation would have to have been beaten in order for European Monetary Union to occur in the first place but the statute drawn up for the Spanish Bank, possibly because it is broadly modelled on the Bundesbank, places a considerable anti-inflationary burden on its shoulders.

The problem with this is that in Germany the Bundesbank is much aided by the fact that it was established long ago in the public consciousness that inflation is a bsd thing. This is not the case with Spain, where such a consensus does not exist and where Mr González' governments for the past 11 years have failed to make any effort to tell people about the evils of inflation for fear of bursting the growth-and-spending bubble which Spaniards have lived and voted in for so long.

The next few months will be an interesting illustration of how Spain works as the new government – still to be formed at the time of writing – goes about redrafting a statute of independence for the Bank.

Mr Solchaga had always wanted to rush a statute through parliament because he maintained that doing it in a coalition government – which he correctly predicted 18 months ago would be the result of the June 6 election – would be difficult. He is not likely to be in the next cabinet and the problem will be his successor's.

The previous government had promised to have the law in place during 1994 so there is not mucb time left. Prof Rojo, in the meantime, can relax. He has more freedom than most of his counterparts and the hard part has not yet been thrust on his shoulders.

Peter Bruce

■ THE STOCK MARKET

Focus is on rate trend

Madrid's Bolsa index is bovering around tbe 260 mark which means that the market has already put on the 20 per cent in valna that at the begining of the year had been forecast for all of 1993. Spain, according to whicbever securities house last offered its opinion, is ready for underweighting or ripe for a considered speculative buying.

The first opinion requires little by way of explanation. Spain is in recession – the first quarter recorded a negative 0.5 per cent growth following one of 0.2 per cent in the last quarter of 1992 – and that is reason enough to give it a rest.

The second option has the analysts mostly sidelining fundamentals and focnsing on politics, or more exactly, on wbat the politicians, whoever they made be, will do abont interest rates. Discussion on tbis will continne right through to mid-July and the investiture debate to elect a new prime minister.

Such is the level of debate on government and on policies that the security houses seem to be employing more political pundits than business analysts and economic gurus.

It is only after the debate next month that the markets will gain a clear notion of what government policies can be expected following the qualified victory of Mr Felipe González's socialist party in the general elections on June 6.

And wbat tbey will be looking for is the all-important interest rate trend.

The central point is that the Madrid market sppears to be driven more by interest rate movements than by industrial cycles.

A recent report by Lehman Brothers on Bolsa strategy bas been tbe latest to underline this and it notes that sucb e driving force is less surprising when the market constituents – chiefly banks and electrical utilities – are considered.

Spain has not had what the UK, for example, would consider a proper recession for 30 years but it has had periods of slowdown of which the present period is arguably the most severe.

The market has, however, tended to react more to rates and less to the slowdowns.

This occured in 1975 in the 12 months that followed the bottoming-out of industrial prodnction; interest rates rose and the market fell by 16.3 per cent.

Midway through 1982, which was when the previous big slowdown reached a snail's pace, long rates remained broadly unchanged for 12 months and the market put on just 7.2 per cent.

There was, true to form, a stampede to sell in the 48 hours that followed Mr González's electoral win.

A lot of market players had clearly betted on a triumph by the conservative opposition which is perceived to be much softer abont defending the peseta.

Later the Bolsa rallied and this was because it formed the opinion that Mr González, who is sbort of an overall majority and in need of parliamentary allies, cannot in practice be as supportive over the currency as he would like.

It is not that Mr González does not want to cut rates. It is that he is not willing to risk any attacks on the peseta as a result of doing so.

The prime minister's potential coalition partners will nevertheless press bim to bump-start the economy whatever the feared consequences might be.

Fuelling the rally is the market's perception that the prime minister's dilemma will be resolved for him by the Bundesbank.

The consensns opinion is that Spanish rates will track the German ones and could lose between 150 and 200 basis points by early autumn.

More bullisb analysts suggest that this timing could be perfect for the Bolsa.

The thinking is that the cuts will coincide with a series of social pacts, bringing together the government.

This sangnine scenario, which naturally strengthens the lowered rate lobby, leans strongly on the prime minister's perceived leadership qualities.

It depends on Mr González pntting together first, well before the summer break, a strong coalition government with clear, market-orientated ideas on the economic problems – from inflationary wage settlements to excessive government spending – that have been building up for far too many months.

The speculative buying opinion thns sees a new rally in the final months of the year that could take tbe Bolsa index beyond the 270 level.

Tom Burns

■ BLUE CHIPS

Equities buzz phrase

THE BUZZ phrase for those who intend to stay in the Spanish equities market is to go for the interest rate-sensitive sectors. They stand to make gains, always presuming that the cuts do occur, well before the industrial cycle recovers.

This means banks – and particularly Santander, Popular and Bankinter, a trio that can represent up to 30 per cent of any Bolsa strategy model. These are the high yielding equities in which every investor who was able to took up positions as far back as anyone can remember.

Those seeking to spread the banking group representation have begum to include Banco Bilbao Vizcaya (BBV) mostly on the basis of its improving results, and Argentaria, the newcomer this year to the Bolsa which issued 25 per cent of its equity in May.

Although not a significant beneficiary of lower interest rates, Argentarla is living a honeymoon period with the market and there has been a considerable post-issne net flow from domestic retailers, who were favoured by the placement, towards foreign institutions. This is not surprising for foreign interest was very high during the public issue with international investors subscribing 10.6 times the shares on offer.

It is believed that international investors may now hold between 14m and 15m ordinary shares in Argentaria up from the 11.7m that were offered in the global tranche. This would represent close to 50 per cent of the equity that was issued and, according to Morgan Stanley who acted as Argentaria's global co-ordinators, the proportion could rise to 60 per cent.

The *Autopistas*, the Spanish toll motorways, have consistently been investor-friendly stocks. They are obvious interest rate cut winners and they should benefit too, through an influx of tourism, from the peseta devaluations of the past months.

Meanwhile there is a mix of feelings about the three staple ingredients of all Spain portfolios: Telefonica, the telecommunications group; Tabacalera, the state-controlled tobacco company; and the energy conglomerate Repsol.

Telefonica posted a healthy 5.9 per cent net profit rise in the first-quarter result but there are market misgivings about the potential impact of European Community deregulation on the government-controlled telecommunications monopoly. Investors were not reassured by the government's approval of telephone tariffs which fell short of what Telefonica had hoped for.

Tabacalera faces just as many imponderables. The market has already discounted the possible sale of its food division Royal Brands and it sees a less-than-clear strategic direction in the months ahead in spita of a lot of talk about returning to its core tobacco business.

In theory, Tabacalera is a candidate for partial privatisation but its first-quarter results were as disappointing as those of 1992. Cigarette sales dropped by 15 per cent in the first three months. This was not because Spaniards have cut back on smoking but because a January tax increase has prompted a massive increase in cigarette smuggling.

Repsol, in contrast, delivers sustained good feelings. The most high-profiled of all Spanish equities, Repsol was able to waive a discount when it raised nearly $1bn in an April global offering to institutional investors.

The offering reduced the government's holding in the energy group by 13.3 per cent to 41.1 per cent and it raised to 33 per cent the equity held by foreign investors. The good news that shareholders received at Reposl's annual general meeting this month, apart from tbe forecast of improved results, was that the 1992 payout will be raised to 43 per cent – it was 42 per cent in 1991 – and that it will be gradually increased to 50 per cent.

Tom Burns

■ CNMV

Madrid Bolsa's watchdog

THE public sbare issue undertaken by the government-controlled banking group Argentaria last montb was similar in size and public impact to that of Repsol, the energy group, in 1989.

The difference was that a rumpus followed the allocation of the energy group's oversubscribed equity four years ago – but all was ostensibly peace and quiet in tbe equally demand-driven allocation of Argentaria shares.

The Repsol issue brought the Madrid Bolsa's watchdog, the Comision Nacional del Mercado de Valores, CNMV, into the centre stage for the first time.

Then recently formed and modelled on the SEC, the CNMV took a very critical look at the manner in which a limited number of Madrid security houses had bent and broken rules in order to obtain extra volumes of Repsol paper for their clients.

Some houses were fined by the CNMV in the wake of the energy group's share offering and one was ordered to cease operating.

There was no need for any such disciplinary action last month when Argentaria came to the market.

The banking group, with the benefit of hindsight and also with the experience of public issues in the UK, took a series of steps, such as the creation of a shareholder register in advance of the offering, that the trail-blazing Repsol placement had failed to undertake.

The absence of controversy was a backhanded compliment to the CNMV. "It is not that we hava learnt our job better," says Mr Luis Carlos Croissier, the commission's chairman, "It is the market that has learnt *that it cannot act with impunity*. Anyone who wants to commit an irregularity should think three times."

But it would be quite wrong to assume that all is now transparency and ethical behaviour. There are malpractices on the Bolsa as tbere are on every other market.

One who in the past year apparently failed to think three times about committing an irregularity – or, ratber, a series of them – was a former chairman of the Bolsa and the former chairman of the now defunct Ibercorp bank.

Mr Manuel de la Concha came under CNMV scrutiny for failing to properly identify shareholders, among them e former governor of the Bank of Spain, who had invested in one of his funds and for giving a select group of them who were his personal friends preferential treatment.

Mr Croissier says the collapse of Ibercorp and the subsequent investigation of its directors was "a positive catharsis" for the financial sector. What he regrets is that the public may have come to expect too much from the commission. It is not its job to assess bad debt risks and to ward off bankruptcies.

It is proving considerably harder for tbe CNMV, however, to unravel the the extremely complex web of interests that were built up in Spain by the Kuwait Investment Offica througb Grupo Torras, the investment arm that the KIO set np in the 1980s and which went into receivership six months ago.

Potentially the investigation is politically sensitive. This is because opposition parties claim tbat Grupo Torras investments should have been approvad by the cabinet because the *KIO is an agency* of a sovereign nation. The government says that approval was unnecessary because the purchases of Spanish assets were made by companies which although owned by the KIO were based in the Netherlands and therefore they were treated as investments from the EC.

To a great extent the CNMV, which is still a young institution with a small staff, is learning the regulatory business as it goes along. This was illustrated at the end of last year when a bitter fight to control e small property group prompted allegations thet the CNMV was favouring one of the parties, the powerful Banco Bilbao Vizcaya banking group.

The row erupted when BBV's property unit failed to submit a written counter bid for the target company and ran instead a series of press advertisements in which it urged shareholders to reject what they were being offered because it intended to improve the first bid. Under the terms of takeover rules published in 1991, the BBV's unit should have registered its competing bid with the CNMV together witb a pricing prospectus.

The CNMV took tbe view that there was nothing in the takeover code that explicitly prohibited successive informal bids. Critics said such an attitude severely comprised its position as a regulator.

Mr Croissier stands by his interpretation of the rule book. Ultimately, what the CNMV seeks is the best deal possible for minority shareholders. In the row over the property company his judgment was vindicated because the original bid was first improved and the final price to minority shareholders was higher still when the two competing parties eventually presented a joint bid.

As witb tbe Repso share issue, the market has taken another lesson on board. An important precedent was established and it will apply to future takeover battles.

Tom Burns

■ Foreign banks in Spain

A sign of confidence

THE biggest sign of confidence so far this year in Spain and in its financial sector has been neither the rusb to buy shares in the Argentaria state banking corporation nor J. P. Morgan's involvement in an important rights issne by tbe under-capitalised Banasto group. It has been Deutsche Bank's decision to spend $350m on the acquisition of a medium-sized Spanish bank.

The purchase followed a period of familiarisation with tbe domestic market which apparently convinced tha German bank that there was good business to be done in Spain.

Deutsche Bank first moved into the Spanish retail market in 1989 when it bought outright the 100-branch Barcelona-based Banco Comercial Transatlantico (Bancotrans), a bank that it bad founded early in the century and whicb It forfeited after the Second World War. At Bancotrans, Deutsche Bank began to develop mortgages and also niche products such as car loans which were novel to Spain.

Tbe second acquisition involved Banco de Madrid, a subsidiary of Banesto. Banco de Madrid's 300-brancb network in the Spanisb capital and central Spain compliments the Bancotrans presence in the north-east of the country and together the two units make Deutsche Bank the biggest foreign bank operating in the domestic retail sector.

Deutsche Bank is now bigger in Spain than Credit Lyonnais whicb bonght two bank networks, each with sbout 150 branches, in 1990 and 1991 and it is nearly double the size of NatWest and of Barclays wbo both began building up Spanish networks in the 1980s.

The German bank's move is by any standards a long-term investment. It now faces the testing task of welding together its two branch networks and moulding them to Deutsche Bank's own corporate culture.

Complex in-house information systems which were installed in Bancotrans now have to be extended to Banco de Madrid and it will take at least eight years before employees extract optimum benefits from the technology.

What Dentsche Bank has done is to buy a market quota. The strategy has been similar to that of Credit Lyonnais wbose purchases of Banca Jover In Barcelona and of Banco Comercial, based in Madrid, both subsidlaries of Banco de Santander, also aimed to establish a solid presence in the centre of Spain and in the north-east.

Bank of America dealers in Madrid: Setting up a banking office in an optimum location requires a lot of money

This is a quick route into Spain and it contrasts with the step-by-step approacb developed by Barclays over the past 10 years following its purchase of a small, and bankrupt, domestic bank.

The market quota strategy bas an In-built advantage because Spain is a thoroughly overbanked country that has more bank branches per head of population than anywbere else In the European Community bar Luxembourg.

Setting up a banking office in an optimum location, as Barclays has done, requires a lot of money and an equivalent amount of patience.

Tbe obvious positlve elements in the step-by-step strategy are tbat tbe institution is able build up Its staff gradually and according to its own standards and that it can likewise cboose axactly where it wsnts to open for business.

Foreign banks who would follow Deutsche Bsnk and others into Spain have both models to choose from.

A market quota is readily at hand in the shape of Banco de Fomento, a subsidlary of Banco Central Hispano (BCH), with a nationwide network of 165 branches.

BCH was In negotlations to sell its unit earlier in the year to Banque Nstionale de Paris (BNP), but tbe talks broke down allegedly because the price was too steep.

At tbe begining of this month, BCH paved the way for Fomento's future disposal by paying the equivalent of $82m for the 32 per cent of the bank that it did not already own.

The outright takeover was in the form of an offer of one 8CH share for every two of Fomento and it was accompanied by a commitment from BCH to put aside Fomento's casb flow, whicb stood at $47.5m lsst year, for pension funds and reserves.

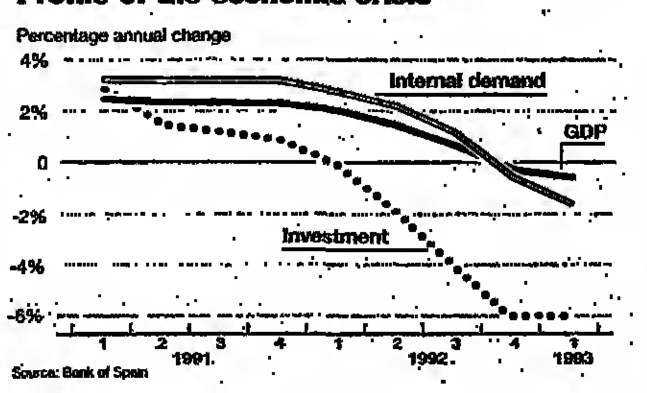
BCH's move bas put a clearer valuation on Fomento and its decision over the casb flow will serve to make the unit more sttractlve to potential buyers.

Fomento's coverage of non-performing loans stood at 70.5 per cent last year, down from 84.4 per cent in 1991.

The step-by-step strstegy into Spain has in the meantime been msde easier by tbe continuing process of network rationalisation that is being conducted by all tbe big Spsnish banks, and particularly by BBV and 8CH which have an oversupply of branches as a result of the respective mergers.

Tom Burns

Profile of the economic crisis



■ Spanish banks in Portugal

Shivers down the spines

WHEN Mr Mario Conde, president of Banesto, Spain's blggest banking group, suggested at s recent annual general meeting that his institution could merge with Banco Totta e Acores (BTA), Portugal's leading private bank, he sent a shiver down the spine of many Portuguese bankers.

Portuguese newspapers have for long been talking about the invasion of Portugal by Spanisb banks and otber businesses. But bankers paled at the idea of tbe takeover of one of the country's big four banks.

But when the uproar died down, people were faced with another of Mr Conde's statements made at the same meeting: that directly or indirectly be owned more than 40 per cent of BTA.

"In fact Mr Conde probably controls about 50.5 per cent of BTA. There is simply no doubt that be owns the bank," says Mr Joaquim Luiz Gomes, an analyst with independent brokers Midas Investimento in Lisbon. The legal limit on direct foreign ownership of BTA is 10 per cent, soon to be raised to 40 per cent.

According to senior officials at BTA, tbere is little likelibood of a direct merger between tbe two banks. A more probable scenario is that J. P. Morgan, the US investment bank which is expected to take a stake in Banesto, may form a bolding company that will control the shares of the two banks.

Banesto led the Spanish invasion by buying into BTA in a privatisation operation. Other Spanish banks bave taken a variety of other routes and there are now at least six Spanish banks operating in Portugal today. But to some the word "invasion" to describe this process remains over-inflated.

Conde: told meeting he owned more than 40 per cent of BTA

"Spanish banks have at the most a 10 to 15 per cent share of the Portuguese market at the moment," says Mr Miguel Namorado Rosa, chief economist with Banco Comercial Portuguese, a leading private bank. "Over the next 50 years this may expand to 30 per cent of tbe market. 8ut what is going on is a natural process of regional expansion between two closely connected economies rather than an invasinn."

This year, a Spanish bank became the biggest single shareholder in BCP in a share swap under which Banco Central Hispanoamericano acquired 10 per cent of BCP in exchange for 2 per cent of its own shares and 50 per cent in Spain's leading private banking institution, Banco Banif de Gestion Privada.

BCP intends to protect itself from any expansionist ambitions by changing its statutes so that any institution acquiring more that 10 per cent of the bank has a maximum of only 10 per cent of voting rights.

BTA and BCP both remain Portuguese banks witb large Spanisb shareboldings. Banco Bilbao Vizcaya (BBV) decided to establish itself in its own rigbt wben in 1991 it paid £110m to buy out Lloyds Bank Portugal wbicb was tben a small corporate bank with 12 branches.

Since then the bank bas grown to 57 branches as BBV pursues a strategy of building a universal bank with enough critical mass to compete alongside the big operators. The bank has introduced its own culture, investing in some 15,000 bours of training a year and despite its big expansion has only increased the number of its staff by two.

In this time, the number of customers has increased fourfold. BBV has invested Es300bn (£1.3bn) in information technology and increased the number of its large corporate customers to 387 and its small- and medium-sized company clients to 100,200. The number of staff working in the head office has fallen from 46 per cent of the total to 27 per cent as BBV has created a series of para-banking companies from leasing to brokerage. "Portugal is a priority area for BBV along with Morocco and Latin America," says Mr Jose Luis Jolo Marin, managing director of the bank's Portuguese operations. "We currently have about 1.5 per cent of the Portuguese market. Our aim is to build this up into a critical mass of about 5-7 per cent over the next three years."

Mr Jolo Marin is aware that this cannot be achieved by organic growth alone. "We are on the look-out to buy into another Portuguese bank or perhaps reacb agreement on swapping networks or simply buying branches from an existing Portuguese bank," he says.

In four or five years, when it has reacbed the required critical mass, BBV will seek a Portuguese partner, who will be offered 20-40 per cent of tbe bank.

Spain's Banco Santander followed yet another roule by buying a substantial share of Banco Comercio e Industria, for whicb It has now requested permission to make a 100-per-cent takeover with its partner the Royal Bank of Scotland.

Santander is Spain's second-most-successful bank in Portugal after Banesto, but it only has a 2 per cent share of the market. "That is not enough to talk about an invasion," says Mr Gomes, "in my view, Banesto is the only Spanish bank that has made it big so far."

'When a bank moves it is because it sees an economy with good opportunities. That is why Spanish banks are moving into Portugal'

What has Spanisb banking given Portugal? "We bave introduced successful new products but I think Portuguese banks are just as imaginative as we are in tbat respect," says Mr Jolo Marin. "What we are doing is bringing new life, new competition and new business to the market. When a bank moves it is because it sees a fast-growing economy with good opportunities and that is why Spanish banks are moving into Portugal."

Peter Wise

■ The broking houses

Locals were winners

IT was hard, during the first half of this year, not to bump into a group of globe-trotting merchant bankers in the lobby of any one of Madrid's top half-dozen hotels. The billion-dollar issues of Repsol and of Argentaria had teams of them arriving every other day from New York and London.

Goldman Sachs and Morgan Stanley, the US banks who acted as global co-ordinators in the Repsol and Argentaria offerings respectively, were out in force – as was S. G. Warburg which was co-lead manager for the UK tranche in both issues. There were smaller teams from a clutch of other international houses who had secured minor roles in the placements.

All the merchant bankers gained something, some more than others, through their involvement in the offerings. But arguably the real winners were not the top global firms but the domestic institutions who for the first time played a part in important deal-making.

The two huge issues represented a big step forward for Banco Bilbao Vizcaya (BBV) which was co-global co-ordinator with Goldman Sachs in the Repsol issue, and also for Argentaria whose broking unit was likewise teamed up with Morgan Stanley in the issue of the parent bank.

In particular the two offerings represented a break-through for Banco Santander de Negocios (BSN), the premier domestic merchant bank, which joined forces with S. G. Warburg as co-lead manager in the large UK placements of both issues.

The Repsol offering underlined the strong role that Goldman Sachs has consolidated in big Spanish deals. The US bank established its reputation in Spain by guiding Telefonica shares on to the international markets in the mid-1980s and this led it to secure the co-ordination of 26 per cent of Repsol shares in 1989. Goldman Sachs then went on to lead the subsequent flotation of Endesa, the state-controlled electrical utility.

The Argentaria issue was highly important to Morgan Stanley because the US bank has its eyes on forthcoming privatisations in France and in Italy. Morgan Stanley discovered that it was able to tap a very rich vein of American investors who were extremely interested in European banks.

S. G. Warburg had wanted to lead s European placement for Argentaria and received a minor setback when the banking group gave it responsibility only for the UK and awarded a continental Europe tranche to Union of Bank of Switzerland. The London-based bank – which already had Repsol's UK offering under its belt – has, bowever, establisbed a strong link between British investors and Spanish securities.

All the three global firms which were most involved in the issues were "shadowed" by Spanish institutions. The experience was at first unsettling for some who wanted to share its expertise in international book-building but by the end there was a fair amount of praise.

"If we do another issue we will be much more confident about Spanish institutions," said an executive of one of the US bank's involved in the placements. The general view, somewhat to S. G. Warburg's chagrin, was that BSN had "been learning a lot" and gained "very useful exposure" as the co-leader in the UK for the two placements.

BSN certainly revelled in its opportunity. "Goldman got its break when it placed Telefonica and then it got mandates everywhere and all the way to Mexico," said a senior executive at the Madrid-based bank. "The key to getting a deal is to have done one before and that is what we have achieved."

BSN - a subsidiary of Banco de Santander and headed by Ms Ana Patricia Botin whose father is chairman of Santander – has already built up considerable international experience in Latin America and particularly in Mexico where it has managed the Emerging Mexico Fund, matador bond issues and equity placements.

Flushed with its involvement in the Repsol and Argentaria issues, BSN now casts itself as a potential "Latin" Goldman, a specialist in big "southern" deals stretching from Italy to Chile.

Goldman and J. P. Morgan are role models for BSN. Its executives, all young and invariably foreign-trained, admire the deal-orientated motivation and the team spirit of the two US banks. Ms Botin was herself employed for several years by J.P. Morgan.

Whether BSN secures big mandates in the Hispanic world and elsewhere remains to be seen. But the bank is likely to play increasingly important roles in future Spanish privatisations.

Tom Burns

■ DOMESTIC BANKS

Caution and consolidation

SPAIN'S private banks association, the AEB, forecast this month that 1993 profits for the sector as a whole would be similar to the Pta529bn that it posted last year. The estimate suggests, on the one hand, that bank results are now stabilising and, *on the other, that a division* between the more and the less profitable institutions that emerged decisively in 1992 is likely to remain in place.

The bankers will be pleased to see no further losses in 1993. Nobody in the sector cares to recall 1992, a year that was characterised by most bank chairmen as the most difficult in a decade and which saw the overall profit of the domestic banks fall by 15 per cent.

The fall was not, however, evenly spread. A breakdown of the 1992 results showed tumbling profits for Banesto, for Banco Bilbao Vizcaya (BBV) and for Banco Central Hispano (BCH), but improved income, albeit by less than in the past, at Banco Santander and at the always extremely profitable Banco Popular. Argentaria, which was reporting its first full financial year, showed a healthy profit.

The wide gulf that can exist in Spain's *banking sector is illustrated by comparing* the extreme cases of Banesto and Popular. Banesto's average assets last year were more than double those of Popular but Popular's market capitalisation this month was nearly twice that of Banesto; Popular's ROA in 1992 was staggering 2.12 per cent, while Banesto's was 0.26 per cent.

The losers last year *blamed their poor* results on a sharp decrease in extraordinary income through disposals. This will no longer be necessarily the case for profits from non-banking business for the sector as a whole was up to Pta20bn in the first quarter of this year against the Pta12bn total in the first three months of last year.

Since January, Banesto and BCH, who were both notably below the fault line that separated the profitable from the less profitable, have disposed of a national branch network and three regional networks respectively.

But the chief reason that the losses may have bottomed out is that the alarming increase of non-performing loans that set in last year appears to have peaked. On the strength of the first-quarter figures, the AEB estimated that the non-performing loans this year will rise to Pta300bn against the 1992 total of Pta500bn.

First-quarter provisions by the sector as a whole this year were up by 40 per cent against the first three months of 1992. At Pta80bn, the first-quarter total was similar to the average volume of three-month provisioning in 1992, when bad debts, and provisions, escalated sharply in the second half of the year.

The banks have tightened loan policies and are dragging their feet over cheapening credits

Caution and consolidation are now the watchwords and the banks have considerably tightened their loan policies. They are also dragging their feet over cheapening their credits and passing on to their clients the lowered rates that the monetary authorities introduced following the peseta's May devaluation.

The tardiness over the rate cuts underlined a clear policy difference between the private banks and the state-controlled Argentaria group which brought its prime *lending rate in mid-June down to 11.50 per* cent, just 25 basis points above the benchmark rate set by the Bank of Spain.

Mr Francisco Luzon, Argentaria's chairman, said the move anticipated general cuts throughout Europe and that it represented his banking group's contribution to economic recovery. The rival banks in the private sector believed however that Argentaria had acted in response to the pleas by the Economy Ministry, which is, after all, its master, for cheaper money.

The AEB said it would be "very difficult" for the sector to shadow the official cuts in the short term. This was in part because the interest rate-sensitive interbank market provides only 10 per cent of the funds raised by the private banks. It was also because margins are already very squeezed; the average current account was delivering an interest of 8.7 per cent at the end of March against 8.34 per cent at the begining of the year.

In their different ways all the banks are presently very active: Banesto, the weakest of the big banks, is undergoing a remarkable capital increase with the aid of J. P. Morgan of the US; BBV is demonstrably improving its operating profits; BCH is determinedly tackling its merger traumas; and Santander, ever the domestic sector's pacemaker, is out in front with an attempt to break into the mortgage market.

The heightened competition will no doubt be a factor against any swing towards greater profitability for the sector as a whole. Gone are the cosy quasi-cartel days that existed until the late 1980s when domestic banks respected each other's business and were tightly regulated.

The competition will also ensure that the division between the more and the less profitable big banks remains very much in place. The present slump for the banks is not unlike the one at the start of the 1980s when the economy also ground to a halt and there was a dramatic increase in bad loans. But there is one key difference.

"In the early 1980s, we all came out of the *banking crisis in step*. Now our starting positions are quite different," says Mr Luis Valls, co-chairman of Banco Popular.

Investors are going to have to chose between those who are starting well behind and offer very attractive prices and the expensive front-line favourites. Across the field, however, none is likely to fare worse than in 1992.

Tom Burns

■ PROFILE: Banco de Santander

Foreign cushion eases journey

SPAIN'S bank chairmen this year told their shareholders a fair amount of bad news. One after another they warned about worrying loans portfolios and sluggish credit demand. Banco de Santander's Mr Emilio Botin told his annual general meeting about a growth strategy that had nothing to do with the recessionary domestic climate.

Together with Banco Popular, a smaller bank that is just as tightly managed and is even more profitable, Santander is a domestic banking success story. Its ROA last year stood at 1.10 per cent and its bad debt coverage at 96.6 per cent. Popular, in comparison, had an ROA of 2.12 per cent and bad debt coverage of 84.3 per cent while the figures for Banco Bilbao Vizcaya (BBV) were 0.86 per cent and 70.2 per cent.

Mr Botin was able to talk growth to his shareholders because Santander is solidly based outside Spain. Popular, which is about 50 per cent owned by foreign institutions and individuals, makes a lot of money because over the years it has selectively drawn top domestic clients into its fold. Santander, a bigger banking group with consequently larger ambitions, has looked abroad for business.

International business contributed $208m to the bank's consolidated 1992 net profits of $577.1m. "The time will come when half our assets and profits will be abroad. That is our objective and that is where we are going," Mr Botin said.

Santander's business outside Spain has *three principal legs*. In Europe, where it is a significant shareholder of the Royal Bank of Scotland and of Portugal's BCI, it has pioneered the Interbanking On Line System, IBOS, which hooks together its British and Portuguese partners as well as Credit Commercial de France and in North America it is the main shareholder of the fast-growing New Jersey bank, First Fidelity Bancorporation.

The third leg is Santander's growing involvement in the emerging markets of Latin America where it has built up a strong corporate finance business. One of the group's latest successes has been co-lead with Colombia's Corfivalle investment bank, of a $130m Eurobond issued by the Republic of Venezuela.

Santander's foreign cushion has allowed it to ride out the hard bumps of the domestic ride. In the second half of May the bank announced a $195m preferential share issue in the US. This was the fourth such issue in 18 months and it completed a programme which has raised a total of $750m for the group.

The foreign-earned income that flows into the bank has a very clear function

The foreign-earned income that flows into the bank, as well as the expectation of more to come, has a very clear function; it has allowed Santander to take singular initiatives that have the dual purpose of raising the bank's profile and of undermining the domestic competition.

At a time when rival banks in Spain are battling to rein in their non-performing loans, Santander is using its liquidity to further squeeze margins in the domestic market. In advance of last month's preferential share issue, it rocked its rivals with a bid to capture a slice of the mortgage market by offering sharp rate cuts to home buyers.

The "lending war" provoked by the cuts was vintage Santander aggression. The banking group had already showed its mettle when it unleashed a "deposit war" at the end of the 1980s by launching high interest-bearing current accounts.

The current account assault on the domestic banking system forced rival, and less liquid, banks to produce similar expensive products. And as margins narrowed across the board, Santander comfortably increased its client base.

Santander's quota of the domestic mortgage market quota stands at less than 4 per cent and loans to homebuyers represent only 8 per cent of its total lending. The bank aims to raise its mortgage activity to represent between 25 and 30 per cent of its lending, a level considered normal among European banks.

Unlike the "deposit war" initiative which took Santander's rivals so much by surprise that it was months before they were able to offer similar high interest current account products, the bid for the home-buying public has met with a fast response. With the notable exception of Banesto, banking institutions have also significantly brought down their rates.

The difference between Santander and its rivals in what looks like becoming an increasingly competitive domestic battle is that Mr Botin's bank has its well-focused foreign dimension. With growing assets and profits abroad, Santander has a built in advantage on the home front.

Tom Burns

■ PROFILE: Argentaria

Ambition and motivation

ARGENTARIA, the state-controlled banking corporation, issued 25 per cent of its shares on the international and domestic markets in mid-May and as far as investors are concerned it has become another big Spanish banking group to be put alongside BBV, Santander and the other players in the domestic system.

The track record by Argentaria shares since its $1bn placement has been impressive. But now that is fully exposed to international fund manager scrutiny, questions have already been asked about how much more can be reasonably expected from an investment in Argentaria.

On its the first day of trading Argentaria's share value rose briskly from its opening price of Pta3,800 to Pta4,305 before easing to Pta4,230 - a rise of more than 11 per cent which indicated that the banking group had set an intelligent premium. A month after the issue, in mid-June, Argentaria's share price stood at Pta4,670.

The securities house James Capel has been one of the earliest to sound a note of caution over the group's future progress. Its bottom line conclusion is that Argentaria's share price has gone as far as can be reasonably expected for quite some time.

The reasoning by Capel, and by other analysts, is that investors are not doing themselves a favour if they begin to view Argentaria on exactly the same terms as they might the big private sector banks.

Argentaria certainly looks like its rivals. At the end of last year it was the third-ranked banking group in terms of total assets, behind BBV and BCH; the third, behind BBV and Santander in terms of net income; the fourth, behind BBV, Santander and BCH in terms of market capitalisation; and after the May share issue, it was the third, behind BCH and BBV, in terms of shareholder funds.

But such figures are deceptive for Argentaria is not like the other big banking groups. It is essentially a corporation that was bundled together in 1991 by the Economy Ministry out of a series of state-owned financial institutions.

Argentaria is the sum of Banco Exterior, the former export credit bank; of Caja Postal, the savings bank linked to the Spanish Post Office; and of three specialist banks that have established niches in the mortgage market, in providing financial services to local governments and to the agriculture sector.

The corporation's management is wholly market-orientated and it measures itself constantly against its private sector rivals. Mr Francisco Luzon, chairman, was the rising star of Banco Vizcaya and he moved, initially to Exterior before the formation of the corporation, in the wake of Vizcaya's 1988 merger with Banco Bilbao.

Mr Luzon, widely considered to be the most professional domestic banker of his generation, has attracted some 70 former Vizcaya colleagues over to Argentaria to create one of the most dynamic senior executive teams in Spanish banking.

The path ahead for Mr Luzon, as he moves to position Argentaria alongside the private sector in terms of business mix and underlying profitability, may be perfectly clear in the charts that he and his colleagues have prepared but in practice it could come up against confusing signals.

Present profitability is not in doubt. Argentaria lifted its first-quarter net profits by 14 per cent to Pta21.2bn. In 1992, its first full financial year, it posted net profits of Pta67.4bn. What analysts are looking at is where those profits are coming from and they are asking themselves whether they are sustainable.

A group of highly skilled market professionals has been put to work

A close look at Argentaria's balance sheet suggests that Mr Luzon and his team are delivering profitability through spectacular success in their recovery of loans that had been written off by an apparently slack former management. Last year such recoveries accounted for 31 per cent of the group's pre-tax profits and a further 28 per cent of the profits came from recoveries of overdue interest.

What has happened so far is, essentially, that a group of highly skilled and motivated market professionals has been put to work on a number of state enterprises that were underperforming if not virtually dormant.

Capel's contention is that very substantial input to the group's income from loan loss recoveries will inevitably decline as the Mr Luzon's aggressive "recoveries team" works its way through the backlog of neglected claims.

Mr Luzon and his team are nevertheless confident. They set great store by the cross-selling possibilities afforded by the group and already they have successfully combined the strong network of Caja Postal retail outlets with the large home-buying client base of the group's Banco Hipotecario mortgage unit.

They also see growth in the group's securities house, Argentaria Bolsa, which posted a 40 per cent increase in its trading volume last year, and in the mutual funds managed by the group's insurance unit. Argentaria ranked only fifth last year in terms of funds under management and it plans to raise these this year by 40-45 per cent from their current level of Pta330bn.

Argentaria's management cannot be faulted on ambition and motivation. Mr Luzon and his colleagues have to score highly on both because they view last month's successful share issue as only the first step in a continuing privatisation process.

When Argentaria comes round to placing more of its equity, it will be the markets, not the analysts, who will be judging the group's soundness.

Tom Burns

■ PROFILE: Banco Central Hispano

Post-merger difficulties

BANCO Central Hispano (BCH), the biggest domestic private bank in terms of assets, is unlucky. Banking mergers are always expensive and never easy; when they occur in a recessionary climate they become very difficult.

The union between Banco Central and Banco Hispano Americano that brought BCH into being was announced midway through 1991 just as the economy was beginning to slide. Last month, Mr Jose Mara Almusategui, the BCH chairman, gave a very a *strong* "I am in charge" message that only served to underline the post-merger difficulties.

Analysts note that BCH was the sole domestic banking group to post s drop in its net interest income last year and that its cost-to-income ratio was, at 72.3 per cent, substantially higher that that of other institutions. In its 1992 balance sheet, BCH was forced to put aside Pta67bn for bad debt provisions and a further Pta3.2bn to cover depreciations in its portfolio.

Mr Almusategui, former chairman of Hispano Americano, the smaller of the *two units, became president of* BCH last October, succeeding Mr Alfonso Escamez, the veteran Central chairman who is something of a living legend in the domestic banking sector. Within six months Mr Almusategui had stamped an aggressively personal style on the group.

The Almusategui revolution essentially consists in cutting out senior executive levels - the managing director slot has disappeared - and concentrating all reporting on the chairman's office. This applies both to the core banking business and to the network of industrial interests that involve the BCH group.

Mr Almusategui toyed with the idea of pooling BCH's industrial interests into a single holding, much as Banesto has done with its Corporacion Banesto. With a background in public sector industrial conglomerates - he has held top jobs in both INI, the state holding company, and in INH, the chief shareholder of the Repsol energy group - Mr Almusategui is a firm believer in corporate umbrellas.

In the *event he has stopped* short of travelling all the way down the Banesto road but he has considerably tightened head office control over the bank's industrial assets.

Under his newly imposed system, Mr Almusategui will personally review the budgets and business plans set by each BCH-controlled company and he will likewise pass judgment on how targets have been met.

The system must be unsettling for the companies which have grown used to minimum interference from what used to be a mostly hands-off shareholder. "From now on I have told every chairman of the industrial group that I am on the end of the phone line. It would be an error therefore if they failed to ring me when necessary," Mr Almusategui said recently.

BCH's chairman says he is seeking unified management criteria

BCH's chairman says that what he is seeking is unified management criteria for the group. He has set in place centralised teams at head office which will shadow the different companies within the BCH group in four specific areas: financial relations with the parent bank; strategic planning; budgets; and market performance.

The revolution also involves creating a specific BCH image. Modelling itself on campaigns launched by BBV and Banco Santander, BCH has recently produced a bouncing pink kangaroo that leaps around TV commercials calling on all comers to sign up for a new savings account.

The marketing hype is quite foreign to BCH's constituent parts because Banco Central, a familiar institution on every high street corner, never needed to sell itself over much while Hispano Americano, which appealed to a somewhat higher income bracket, was essentially just as relaxed.

Mr Almusategui's team feels that the new sales aggression is exactly what the banking group needed. By just flexing *its muscles with the kangaroo* campaign, BCH claims it has attracted Pta200bn in new customer deposits within a month.

BCH believes that it will be back on the road of steady profitability just as soon as it overcomes its merger difficulties. For the time being it must be patient; BBV, which was created in 1988, three years before BCH, only claimed that it was properly back on the profitable path this year.

There is little doubt that BCH is tackling the difficulties. In the past 18 months it has reduced the number of its branches from 3,500 to 2,810, shedding some 4,000 jobs in *the process, and it has spent* Pta6.7bn in a new information system for the network.

Mr Almusategui is also anxious to realise as much as possible through disposals. Three *regionally-based* subsidiary banks have been sold off this year and a fourth subsidiary, Banco de Fomento which has a 165-branch national network, is also up for sale.

In March, France's BNP withdrew from negotiations to acquire Fomento, allegedly because of the Pta47.8bn price that BCH had placed on its subsidiary.

BCH's chairman claims that for the duration of this decade, the banking group could raise profits of Pta30bn-40bn annually through disposals of the group's varied interests. The estimate is a very reasonable one for BCH has valuable stakes in a broad spectrum of Spanish blue chips. The bank is also the leading shareholder of Cepsa, the petrol refiner and distributor, the construction company Dragados, the property group Vallehermoso and the sugar-based food group Azucarera.

Mr Almusategui told an interviewer that he had no intention of selling off such crown jewels unless "situations of real necessity" were to take place. With a merger process underway at an unfavourable moment, it is more than useful for BCH to have such a safety net.

Tom Burns

■ PROFILE: Banesto

An irresistible opportunity

WHAT, analysts wanted to know, did J. P. Morgan, the US investment bank, *see* in Banesto?

Most people looked at Spain's fourth-ranked bank in terms of assets, and saw the sharpest growth of non-performing loans in the sector and an exposure to industry that barely met the *capital* adequacy ratios set by the bank of Spain. At the end of last year Banesto posted a 23 per cent fall in net profits.

J. P. Morgan, however, looked at Banesto and liked what it saw. It liked it so much that in May it co-ordinated a three-stage plan that aims to raise up to Pta130bn in fresh funds for the bank, a sum that represents the biggest capital increase ever recorded in Spain.

The US investment bank *put* the full weight of its prestige behind Banesto's future fortunes and it put its money - and that of its clients - where its mouth was. J. P. Morgan's $1bn Corsair fund will invest $200m in a three-for-one rights issue, the first stage of the capital increase, and the fund will end up owning some 10 per cent of Banesto.

J. P. Morgan spent seven months last year researching *Banesto. Behind* the *bank's* poor balance sheet it saw in Banesto a potential that others had failed to value.

Simply put, the J. P. Morgan team that burrowed into the heart of Banesto discovered an *irresistible* investor opportunity. They found a bank that had a country-wide retail outlet; that had invested strongly in *information* systems; that had a strong management; and that was very undervalued by the market.

Banesto, J. P. Morgan perceived, lacked specialised banking knowledge and was strapped for capital. These shortcomings were exactly what the US investment bank could provide. J. P. Morgan believes there is great room for *improvement* in Banesto's treasury department and that new approaches, on swaps and other trading skills, could raise the margins of the bank's core financial business.

Banesto requires more funds rather than more know-how

In the short term, however, Banesto requires more funds rather than more know-how. The US investment bank, which has set up its Corsair portfolio to invest in the sort of opportunities afforded by the Banestos of this world, has the funds readily available.

The all-important feature of the arrival of fresh funds to Banesto is that it will strengthen the bank's capital base at a very crucial time. Banesto is the dominant shareholder in a spread of domestic *enterprises which come under* the umbrella of its conglomerate, Corporacion Industrial. It is this corporate involvement that has prompted the Bank of Spain to take a long and critical look at the bank's *capital* adequacy ratio.

An injection of funds does two things: it deflects the Bank of Spain's spotlight and it gives Banesto time to avoid a fire sale. The bank will now be able to dispose of its industrial assets to the best bidder and without pressure from Bank of Spain authorities.

Banesto clearly gains breathing space through a capital increase but J. P. Morgan, which is masterminding the arrival of fresh cash, stands to make important deals as it *advises the Spanish bank* in the sale of its assets.

In the mid-term, Banesto is due to sell off Acerinox, Spain's leading stainless steel producer and Union Carburos, its industrial gases group. The bank is also understood to be open to possible buyers for Tudor, Europe's third-ranked battery producer, Agroman, the big domestic building group and Asturiana de Zinc, a highly profitable mining business when the cycle is right.

Banesto's weak capital base has consistently dragged down the bank's profitability and the rights issue is expected to raise Banesto's Bank for International Settlements ratio from 9.3 to 12 per cent even with all the *Corporacion Industrial* assets in place. As disposals are realised, Banesto will emerge with a very sound balance sheet and fully prepared to reap the profits of its core banking business.

Among the aspects of Ban*esto that J. P. Morgan* very much liked was its big investment in the past years in new information systems. These, which are reckoned to be the most advanced in the domestic banking sector, are now poised to deliver significantly-increased efficiency and lowered costs to Banesto's banking operations.

The US bank also approved of the leadership exerted by the mercurial Mr Mario Conde, Banesto's chairman, a *self-made millionaire* who took over the bank in 1987 at the age of 38. At the end of last year, Mr Conde reshuffled his top management and, to J. P. Morgan's delight, promoted Mr Enrique Lasarte, a highly regarded and experienced financier, to become chief executive of Banesto's core banking business.

What J. P. Morgan expects is that Mr Conde will give Mr Lasarte all the support he requires to severely cut back Banesto's overweighted staff and to rationalise the existing spread of its banking network.

J. P. Morgan sees profitability for itself through the disposal of Banesto's assets and also profitability for its Corsair funds *as the bank turns* around its business. It also senses that it would be impossible to buy into Banesto, a big bank by any standards, at a cheaper price.

The new shares that J. P. Morgan will acquire in the rights issue will be priced at Pta1,500 with an extra Pta400 offered for subscription rights. At the time of agreement, Banesto shares stood at about Pta2.645 – they have since fallen off – and broking houses reckon that equity in Mr Conde's bank is a clear buy below Pta3,000.

Tom Burns

SPAIN: BANKING AND FINANCE 5

Plaza Mayor, Madrid: Mr González won his third general election in 1989 because Spaniards were still enjoying themselves and the post-fiesta rot had not yet set in — Picture: Ashley Ashwood

■ THE PESETA

Last economic castle collapses

LOOKING back, it is hard to even conceive of how the Spanish government – on deciding to take the peseta into the exchange rate mechanism of the European Monetary System just before hosting the country's first European Community summit in June 1989 – decided to make Pta65 worth DM1.

Was it arrogance? Was the government simply trying to make voters believe the country really had arrived at the European pinnacle? Or did Madrid really think its currency was worth that much money?

There have been lots of theories, most of them emanating from the Finance Ministry, about why a strong peseta was necessary. First, it was a weapon in the fight against inflation – by making imports cheap during a time of rising consumer spending, you were importing low, German, inflation and at the same time forcing local industry to re-tool and become competitive.

As high real interest rates quickly drove the currency close to Pta62 for DM1, government officials would happily suggest that their problem was not that the currency was growing too strong but that it still might not be strong enough.

Then, when inflation did not fall, but rose, the strong peseta became necessary simply because it was vital to have a stable currency. There never seemed to be much debate about what level it ought to be stable at.

The peseta was the last of the economic castles created during 11 years of unchallengeable rule by Mr Felipe González, prime minister, to collapse. In three devaluations in nine months – the last on May 13, in the middle of a general election campaign – it crumbled to Pta79.1 to DM1 and many foreign exchange market analysts expect it to fall further as the economy weakens.

An economy which in 1989 created 1,000 jobs a day was destroying nearly 3,000 a day in January, February and March this year. Inflation, considered to be doing well at an annual 4.6 per cent, is in fact no better than what it was at the end of 1987. In between, inflated company profits fuelled high wage rises and took inflation up to nearly 7 per cent. No-one bothered to warn employers or unions.

Mr González won his third general election in 1989 because Spaniards were still enjoying themselves and the post-fiesta rot had not yet set in.

After the devaluations and the creeping collapse of the peseta against the D-Mark earlier last summer, however, Spaniards are now more than 20 per cent poorer – in European terms – than they were a year ago. Mr González' boast that Spaniards were earning nearly 80 per cent of average EC income has also been badly set back. He never mentioned it in his recent campaign.

But with the socialist victory on June 6 – albeit without a parliamentary majority – the peseta has firmed a little, to about Pta76 to DM1. This is mainly because the socialists are less likely than their conservative opponents, the Peoples Party (PP), to cut interest rates rapidly and analysts agree there is some room for a fall to below the current Pta79.1 parity against the German currency.

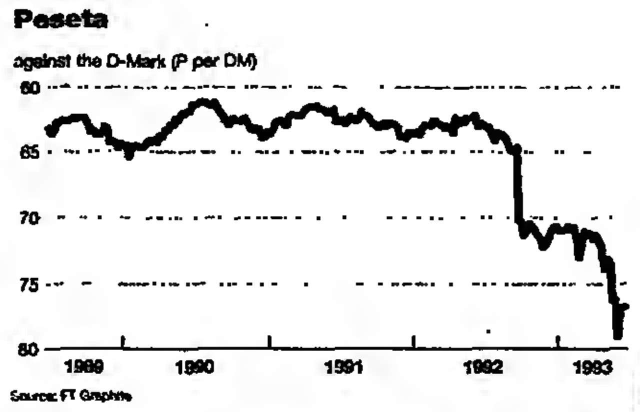
Much will depend on how quickly Mr González is able to put in place a stable administration, committed to fiscal discipline and strong enough to push labour market reform past certain union opposition. Government-building has already begun and should soon be complete.

For the moment, the Bank of Spain is using the peseta's relative strength to build its reserves up should the speculators return. Foreign exchange reserves are part of a tiny mystery in Spain at the moment. The Bank is believed to have tried to stave off the last devaluation by selling pesetas forward and thus its real reserves may be lower than the official count of about $44bn.

The Bank has vigorously denied that it tried to stave off the last devaluation by selling peseta options, but the accusation and the denial were very tightly focused on options and the true state of the reserves has not been settled by either.

One way to find out would be for the markets to test the peseta again although the Bank (supported by the government), despite its nominal interest rate cuts, is holding real rates high in order to capture foreign savings necessary to finance the country's public deficits. Some things do not change. If the country sinks any deeper into recession, those real rates will become untenable and Mr González must hope that, as he readjusts his economic sights downwards a little, he is given time to prepare his defences.

Peter Bruce



■ PRIVATISATION

Spartan bill of fare

A CYNIC would say that the biggest loser of this month's general election was not Mr Jose Maria Aznar, the conservative leader who will remain in opposition, but the investment banking community which was expecting a defeat of the socialist government and a consequent rush of privatisations similar to the ones that have been outlined in neighbouring France.

Mr Aznar, who believes that private is better, was prepared to sell off "everything that could be bought". Mr Felipe González, returned to power for a fourth term, is not explicitly doctrinaire on the subject but in practice he has only sanctioned partial privatisations – and then only when he was pressed into them by budgetary constraints.

The growing deficit burden has pushed Mr González's government into the disposal of 13.3 per cent of Repsol, the energy group, and of 25 per cent of Argentaria, the state-owned banking corporation this year. Between them they realised some $2bn which was comfortably over the $1.3bn that the government expected to net through partial privatisation according to the 1993 budget.

The issue now is whether Mr González, heeding pragmatism rather than doctrine, will travel further down the disposal road. This of course begs the question of what exactly the budget deficit might be. The point is that although more has already been raised to ease the burden than was initially anticipated, it may not be enough.

The government hopes to rein-in the deficit at 4.5 per cent of GDP, which is a repeat on last year and overshoots the Convergence targets for Monetary Union, but it could be anything up to a full point higher according to independent estimates. If that is the true situation then a renewed bout of disposals is on the cards – and the question then is which companies.

Unlike France which has a very rich menu of public sector companies to whet market appetites, Spain has a spartan bill of fare. It is extremely unlikely, for example, that even the wealthiest and most patriotically motivated of Iberia's highly-paid pilots would buy shares in the loss-making national airline.

What the Spanish government can credibly offer to the international markets, as Mr Aznar would no doubt have discovered had he been elected into office, is Repsol and Argentaria, the electricity utility, Endesa, Telefonica, the telecommunications group, and the tobacco company Tabacalera. All five are already publicly quoted, the first three of them as a result of the partial privatisations undertaken under Mr González's previous governments.

Repsol and Argentaria, having gone to the markets in the first half of this year, are not due to do so again until next year at the earliest. Only a real budgetary emergency would justify their imminent return to the international investor roadshow circuit. Their equity would nevertheless be no doubt welcomed for both their public issues earlier this year were heavily oversubscribed.

Endesa and Telefonica are surer bets. A public share issue of just 10 per cent of Endesa, which is 67 per cent owned by the state-holding conglomerate Instituto Nacional de Industria, could realise something close to $900m. Telefonica, which has a huge market capitalisation and high liquidity, could raise a similar amount if the Finance Ministry, which owns about a third of it, were to reduce its stake in the company by just some 3 per cent.

The telecommunications group would almost certainly be the first to go the market. Endesa has a number of question marks over it from the market point of view because it is currently involved in asset swap negotiations with its private sector rival Iberdrola and, in any case, the entire domestic electric utility sector is still awaiting a new legal framework that will adapt it to EC deregulation directives.

Should the INI conglomerate, Endesa's main shareholder, find itself severely affected by cutbacks in the subsidies it receives from the state budgets it may nevertheless be hurried into seeking capital gains from its money-spinning utility. INI has traditionally been held in check by its lame ducks and its cyclically-based companies are likely to punish horribly its consolidated balance sheet this year.

Tabacalera, which is 54 per cent state-owned, would raise a far more modest sum, perhaps $175m, were it to publicly issue 20 per cent of its equity. It is not, from the investor point of view, at its most appetising at present for its results are sagging and it is, for good measure, in the middle of selling off its food division. In all likelihood a partial privatisation of Tabacalera would involve direct equity sale to one or more big tobacco groups and bypass the markets.

Tom Burns

■ PROFILE: Banco Bilbao Vizcaya

Solid and serious

THE healthiest thing that has happened to Banco Bilbao Vizcaya (BBV) is that it has stopped worrying about being the number one domestic bank. It has settled down to being a very solid, serious and indisputably large, banking group.

BBV was the first of the large domestic banking groups to emerge as a result of a merger process and it is the first to come out the other side, intact and with the traumas of union behind it.

When Banco de Bilbao and Banco de Vizcaya, the arch-rivals of Basque banking savvy, merged at the end of the 1980s to form BBV, the *numero uno* ideal was something close to an obsession. It was also a short-lived ambition for the Basque alliance begat others.

A couple of years after Bilbao and Vizcaya had walked down the aisle together in 1988, two Barcelona-based savings banks, the Caja de Pensiones and the Caja de Ahorros de Barcelona, linked up to form La Caixa, Spain's biggest financial institution. A year later, in 1991, a second wave of mergers was in process that was to definitively alter the profile of the domestic financial institutions.

BBV was finally knocked off its top perch when the state-controlled banks linked up to form Argentaria and when Banco Central joined forces with Banco Hispano Americano to create Banco Central Hispano (BCH). Argentaria posted larger average assets for 1992 and BCH's net interest income, although down on its 1991 figure, was above that of BBV.

The downgrading in the banking system's ratings does not appeared to have wounded BBV's pride overmuch. Nor, for that matter, was it too upset about the fact that its net profits had dropped by nearly 20 per cent in 1992 to Pta81bn. The reason for the lowered profits was that the banking group had posted a fall not in its day-to-day business but in extraordinary profits through disposals.

Non-banking business income last yaar was, at Pta40.2bn, 42 per cent down on what had been earned in 1991 when the banking group had sold off two of its subsidiary networks.

The extraordinary income of the previous years – when BBV rationalised all the duplication that had resulted from the merger – had, howaver, been put to good use. It had used the cash flow to improva its products and its fee business and to reduce its costs and pick its clients.

BBV's real bottom line at the end of last year was that it had improved its margins where they mattered. It was this that pointed to the banking group's exit from the merger traumas.

The key points in BBV's 1992 figures were that its operating profit grew by 11.1 per cent to Pta136bn; its ordinary profit was up by 8.6 per cent to Pta74.2bn; and its share of the banking sector's deposits and other borrowed funds increased by 1.25 per cent to represent 14.29 per cent of the total.

Mr Emilio Ybarra, BBV chairman, argued with disarming logic that "today's clients are tomorrow's profits."

Analysts, who gave the balance sheet high points, noted that BBV's bad debts grew by just 15.7 per cent against an average 50 per cent increase in bad loans for tha domestic financial sector as a whole and that its operating expenses declined by 2.3 per cent.

Mr Ybarra, hailing "a tremendous improvement" in the bank's profitability profile, announced that the dividend would be increased by Pta6 to Pta169 per share.

By the first-quarter milestone of this year, BBV seemed to be clearly on the right track. It reported a 4.4 per cent rise in net income to Pta17bn over the first three months of 1992, an operating profit rise of 7.3 per cent to Pta36.7bn and a 10.4 per cent rise in ordinary profits to Pta21.8bn.

By comparison with net first-quarter profit rises of 8.1 per cent and of 6.1 per cent that were reported by Banco de Santander and by Banco Popular respectively, BBV's three-month figure looked more modest.

But once mora BBV appeared to be gaining advantage on account of its size over its smaller rivals. The 1992 trend which had BBV increasing its share of the sector's deposits and borrowed funds appeared to be still very much in force. The banking group said its first-quarter customer deposits stood at Pta6,200bn: 10 per cent up on the volume at the end of tha first three months of last year.

What was quite clear from the first-quarter balance sheet was that the quality of BBV results was consistently improving. If the operating profit continues to grow this year then the 1992 net income drop will prove to have been an isolated hiccup and Mr Ybarra's upbeat remarks to the group's AGM will have been fully justified.

Tom Burns

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

GM sceptical over VW car plant plan

Volkswagen has failed to convince General Motors that its plans for a revolutionary car plant in Spain are not a copy of a project drafted previously by the US group. Page 18
The US carmaker also announced that it is moving some car production from Mexico to the US. Page 19

Zeneca rights taken up by 86%

Zeneca's £1.3bn rights issue was taken up by 86.15 per cent of its shareholders and the balance of the issue was placed yesterday at 612p, 12p above the rights issue price. Zeneca shares closed at 626p, up 8p. Page 24; Lex, Page 16; Market, Page 27

Abitibi-Price suspends payout

Abitibi-Price the North American newsprint producer that has been controlled for the past three months by a group of international banks, has suspended its quarterly dividend. Page 19

WMX Technologies gives warning

WMX Technologies the international disposal company formerly known as Wasta Management, has warned of lower-than-expected earnings in the second quarter. Page 19

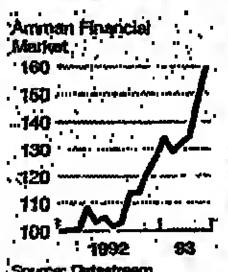
Complex sale in Peru

The privatisation of Peru's state-owned mining and refining giant, Centromin, will be a complex affair. Chase Manhattan and Coopers and Lybrand, are promoting the sale which includes seven separate mines and a huge metallurgical complex. Page 26

Ahold expands in Europe

Ahold, the acquisitive Dutch supermarket group, is building up a presence in Portugal and the Czech Republic. Expansion in Europe is a new phenomenon for Ahold, whose acquisitions have mainly focused on the US, where it owns mora than 500 supermarkets. Page 18

Strong rise in Jordan's index



Source: Datastream

Jordan has one of the smallest economies in the Arab world but the Amman Financial Market, its stock market, rose nearly 30 per cent in 1992, making it one of the fastest growing emerging markets in the world. This year, its general share price index had risen by another 26 per cent to 164.34 by yesterday. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				SILC	760	+	23
BMW (Br)	501.5	+	6.5	Suez (Cie de)	307.9	+	5.5
Continental AG	218	+	8.5	**Falls**			
Hoechst	253.8	+	5.8	Dollfus Mieg Cie	254	-	6
MAN	283	+	8.8	EBF	607	-	31
PWA	161.5	+	3.2	Fonc Lyonnaise	605	-	19
Falls				**TOKYO (Yen)**			
Colonia Konzn Pf	640	-	17	**Rises**			
NEW YORK ($)				Janome Sew Mch	448	+	47
Falls				Jpn Mtls & Chm	685	+	54
Chemical Waste	9⅝	-	1⅛	Nihon Nosan	497	+	42
JC Penney	44	-	1¾	Nippon Road	1280	+	100
K Mart	20¼	-	1⅝	**Falls**			
Novell	24½	-	1½	Chuo Tst & Bkg	1800	-	90
USAir	15⅞	-	⅜	Nagasakiya	843	-	37
WMX	33⅝	-	1⅛				
PARIS (FFr)							
Rises							
Elf Aquit'n Cts	315	+	7				

New York prices at 12:30.

LONDON (Pence)							
Rises				Tadpole Tech	340	+	11
Betterware	253	+	9	Tams (John)	95	+	4
Billam (J)	264	+	13	Tiphook	360	+	10
Border TV	145	+	9	Vickers	149	+	9
Budgens	45	+	4	Wheway	337	+	13
Cable & Wire	777	+	23	Wilkes (J)	85	+	4
Danka Business	850	+	42	**Falls**			
Dunhill	405	+	62	Campari Intl	115	-	18
Intl Bus Comms	12	+	3½	Hartstone	37	-	2
Redland	456	+	11	Hazlewood Fds	188	-	7
Reuters	1383	+	38	Pilkington	122	-	4
Rothmans B	720	+	55	Ratners	32½	-	3⅛
Soundtracs	50	+	4				

Two US banks seek licences for Russia

By Damian Fraser in New York

CITICORP and Chase Manhattan, two of the largest US banks, have applied for banking licences to operate in Russia. r

The licences would be the first granted in Russia to US banks, and would follow one given last August to Crédit Lyonnais to open a full subsidiary, and to Bank Austria to open a branch. Both Citicorp and Chase have representative offices in Moscow.

Mr Mikhail Pomazkov, the head of foreign banking operations at Russia's Central Bank, said it had signed letters of intent with the banks, and licences might be granted this year.

The banks would be capitalised at $5m each, the minimum required for foreign banks in Russia.

Unlike representative offices, they could provide local banking services, such as letters of credit, settling payments, and taking deposits.

Mr Richard Lowry, senior vice-president at Chase in London, said the subsidiary would serve European and US customers, with some interested in Russia's oil, metals and mining industries. Chase's representative office, in Moscow for more than 20 years, has mainly helped Russia deal with international financial markets.

Mr Lowry believed Russia would limit the foreign banks, and the decision to seek a licence was "a tactical move to get to the front of the queue". Chase intends to open one subsidiary concentrating on corporate finance, and was "highly unlikely" to open a retail bank.

Citicorp is likely to follow a similar strategy, said an official. It will open up one subsidiary with a small staff, and help Russian and multinational investors looking for an international bank in Moscow.

Citicorp has branches or subsidiaries in Hungary, the Czech Republic and Poland, believing the opening of eastern Europe offers profitable opportunities in corporate banking. It has no immediate plans for setting up a retail bank.

Under Russian law, banks can be given two types of licences – a general or offshore licence.

The general licence, which is what both Chase and Citicorp are seeking, enables a foreign bank to operate as a Russian one, offering rouble and foreign currency financing, and serving Russian and foreign clients.

Richemont shakes up group

By Angus Foster and Andrew Bolger in London

SHARES in Rothmans International and Dunhill Holdiogs, the tobacco and luxury goods companies, were expected to be suspended from this morning after an announcement that they were talking with their parent, Richemont, about a group reorganisation.

The restructuring will lead to two separate companies, one concentrating oo the group's luxury goods such as Cartier, Piaget, Dunhill and Mootblanc, the other focusing on the tobacco interests through Rothmans.

Richemont said that grouping its luxury brands under a single company would improve marketing opportunities and be more efficient. A previously considered plan to separately list its luxury goods division, Luxco, was rejected because of tax problems.

Rothmans' B shares jumped 8 per cent to 720p while Dunhill closed 18 per cent higher at 405p, after both companies said they would return their surplus cash resources to shareholders as part of the deal.

The reorganisation, details of which are expected soon, has been debated for some time by Richemont, the Swiss-based but South African-controlled holding company set up by Mr Johann Rupert, managing director.

At preseot, the group's structure is complicated because Cartier is jointly held through Richemoot and Rothmans International, while Dunhill is 57 per ceot owned by Rothmans.

Richemont would remain majority shareholder in both new companies, and has proposed the reorganisation be carried out on merger terms. Shareholders in Rothmans and Dunhill will receive shares in the oew tobacco and luxury companies.

They will also receive cash "considered surplus" to the new group's requirements. Rothmans, which is due to announce annual results on Friday, had net cash of more than £300m last year-eod, while Dunhill had £120m of net cash at its March year-end, equivalent to 71p per share.

The new tobacco and luxury goods groups would each be in the form of twinned UK and non-UK holding companies. Shareholders would receive units representing twinned shares in the holding companies, which would be listed in London.

The proposed deal may he structured to gain tax benefits in terms of minimising overseas' shareholders' liability to UK advance corporation tax.

The reorganisation is understood to have been initiated by Mr Rupert, a former merchant hanker, and devised by Richemoot's joint advisers Hambros and SG Warhurg.

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Sara Webb on the main talking point in European bond markets

French yields test historic barriers

Only a few months ago, international currency speculators were gunning for the French franc, marking it out as another weak currency which could be forced either to devalue within the European exchange rate mechanism – as the peseta and escudo did – or to float free of the system, like the pound and the lira.

However, the receot resilience of the franc has enabled the Bank of France to cut official interest rates nine times in two months, prompting a rally in the bond market which has narrowed the spread between French government bond yields and their German counterparts.

Now the big talking point in European government bond markets is whether French long-term interest rates will slide below those in Germany.

The 10-year yield spread over German bonds has fallen back almost daily to reach new historic lows.

That the French government bond market has outperformed the German one recently reflects the relatively better state of the French economy.

"France is sliding into recession, but Germany is much worse off. France has a strong government whereas Germany's political situation only deteriorates. French inflation is 200 basis points below German inflation, and although French bond issuance will hit record levels this year, the fiscal mess is awesome in Germany," says Ms Marie Owens Thomsen, international economist at Midland Global Markets.

There are still pleoty of investors who expect to see the French bond market rally continue over the short-term.

Mr Nick Henderson, head of fixed income at Gartmore, says: "We feel further headway is possible, and that 10-year French yields will be the same as, or even lower than, German yields in six months' time.

Mr Tim Swadling, a portfolio manager at AMP Asset Management, believes 10-year French yields will "probably push through to 10-15 basis points below German ones".

But the next big question is whether French yields will remain below German levels for any reasonable length of time.

Mr Swadling does not believe so. "We've been underweight in the core European markets – Germany, Belgium and Holland – and we've cut back from being overweight in France to neutral because the potential is not so great there now."

There is already some evidence that investors are reassessing their asset allocations. Some are taking profits in France and switching into German bonds in maturities of up to seven years in order to pick up the higher yield.

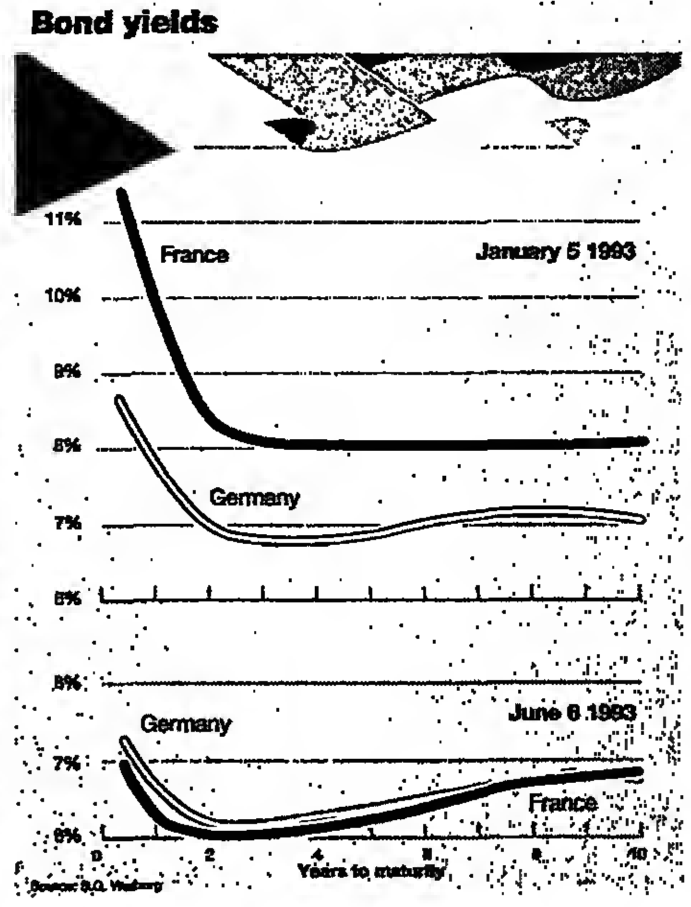
"This is a sign that investors expect French rates to remain below those in Germany," points out Ms Owens Thomsen. However, she believes that a slight pick-up in French inflation will, in the longer term, prevent French 10-year bonds from durably trading through German bonds.

Mr David Gibson, managing director of Schroder International Fixed Income, predicts that 10-year French yields will go through German yields and that this will be sustainable "until it is perceived that Germany has resolved its [economic] problems".

Mr Kit Juckes, economist at SG Warburg Securities, points out that France has been able to cut interest rates aggressively because of confidence in the franc and the fact that "the D-mark is so out of favour at the moment.

"The French economy urgently needs low short-term interest rates, but whether the French can indefinitely continue to cut to below German levels without stirring up a hornet's nest is doubtful."

Bond yields



Source: S.G. Warburg

C&W up 15% to £824m pre-tax

By Andrew Adonis in London

STRONG growth at Mercury, the UK telecommunications company, helped its parent Cable and Wireless to increase pre-tax profits hy 15 per ceot to £824m ($1.2bn) in the year to March.

C&W also made an exceptional profit of £118m on the sale of a 20 per cent stake in Mercury to Bell Canada Enterprises.

Mercury's turnover rose by a third to exceed £1bn for the first time.

It claims to have secured 10.5 per cent of the UK telecoms market from BT, against 8.5 per cent a year ago.

At £3.83bn, group turnover was 22 per cent up on last year's £3.12bn.

Pre-tax profits were £918m (from £644m) after exceptional items, which also included a £60m gain on the conversion of warrants acquired in the creation of Hongkong Telecom in 1988, and an £83m charge for the write-down of undersea cahles.

Lord Young, C&W's chairman, said group strategy was based on expanding from its three "hubs" of western Europe, Asia/Pacific (where it has a majority stake in Hoogkoog Telecom), and the Carihhean (where operations include a 79 per cent stake in Telecoms of Jamaica).

"Strategic partnerships will come to shape our industry. We intend to develop clusters around our three hubs, building on the critical mass we already have in the three regions," he said.

Asia-Pacific remains easily the largest of C&W's three regions. Turnover there was £1.7bn, up 20 per cent, with operating profits 16 per cent higher at £563m. Hongkong Telecom heoefited from a 26.5 per ceot increase in international call volume.

Before exceptional items, operating profit in the Caribbean region increased hy 11 per cent. C&W hlamed slower growth on continuing US recession.

At March 31 C&W's gearing stood at 13.2 per cent, down from 25.9 per cent last year.

A final dividend of 10.1p per share was declared, making a total of 14.85p, against 13.25p. Earnings per share rose from 30.1p to 47.5p. Excluding exceptionals, earnings were 38.8p per share, up 6 per cent.

C&W's shares closed 13p up at 777p.

The company plans a one-for-one share split, to improve the shares' marketahility.

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Kmart shares slump as group warns of sharp fall in profits

By Nikki Tait in New York

SHARES in Kmart slumped to 52-week lows yesterday after the large US discount store and speciality chain retailer warned that second-quarter earnings would be "significantly" below the 37 cents a share earned in the sama period of 1992.

And Mr Joseph Antonini, chairman, said it was now "probahle" that earnings for the full year, to the end of January 1994, would fall helow last time's $2.06 a share.

He blamed the late arrival of summer weather in the US and cautious consumer spending for disappointing clothing sales in the second quarter.

With a greater share of Kmart's sales coming from lower margin "hardline" goods, and further losses at the PACE warehouse cluh division, he said second-quarter profits would fall year-on-year.

Thereafter, he predicted a pick-up in profits, topping the results seen in the second half of 1992-93.

However, the improvement in the second six months would be unlikely to compensate for the profits shortfall suffered during the first half of the year.

This is the second successive quarter in which Kmart has fallen short of analysts' expectations and been obliged to warn the stock market ahead of its results. Its shares were down $1⅝ at $20¼ before the close yesterday. It warned of a shortfall in first-quarter results in April, again hlaming the weather, and eventually reported earnings per share of 11 cents (before extraordinary and accounting-related items).

This compared with 26 cents in the first quarter of 1992-93.

Analysts had been hoping for about 40 cents a share in the second quarter, a modest increase.

Kmart is engaged in a costly revamp of its core discount store chain. The company maintains the results from overhauled stores have been good, but Wall Street is waiting to see concrete evidence of the benefits.

SPP's UK property company deepens pre-tax loss to £449m

By Vanessa Houlder, Property Correspondent

LONDON & Edinburgh Trust, the UK property company bought by the Swedish insurer SPP three years ago, incurred a pre-tax loss of £448.6m ($668m) in 1992.

The loss, one of the largest ever announced by a UK property company, followed a £138.1m pre-tax loss for 1991.

The company blamed the deficit on "adverse economic conditions". The figures were hit by write-downs on development and investment property.

SPP has supported LET with shareholder loans and new capital. Last December, LET's parent company swapped £421.1m of deht for equity. LET's parent company also bought £47.5m of new shares to allow it to redeem its preference shares.

The result is an embarrassment for SPP, which has been criticised in Sweden for its £491m acquisition of LET in 1990 when the UK property market had peaked. Heavy losses suffered hy Swedish investors and lenders in overseas property markets have added to the crisis in the Swedish financial system caused by the collapse of Swedish property values.

The group incurred a pre-tax loss of £354.5m in the UK; £20.9m in continental Europe; and £73.2m in the US. It had a £55.3m write-down on development property, a £180.9m write-down of investment property and a £188.5m share of its associates' losses. The group's net assets fell from £894.8m to £577m.

The losses partially reflect the group's exposure to the development market. Its projects include proposals to redevelop Birmingham's Bull Ring and a site in Spitalfields in the City of London.

However, the latest report makes it doubtful that LET will carry out these projects. Property development had been scaled down to a point where it was now incidental, it said.

LET paid a total of £500,000 in compensation for loss of office. In February 1992, Mr John Beckwith resigned as chairman. Mr Peter Beckwith, his brother who took over as chairman, resigned last November.

The two brothers, who founded LET, owned stakes valued at about £40m each when LET was taken over.

SPP is part of Trygg-Hansa SPP, which returned to profit in the first four months of this year, after making heavy losses last year.

VW fails to convince GM over car factory 'copying'

By Christopher Parkes in Frankfurt

VOLKSWAGEN has failed to convince General Motors that its plans for a revolutionary car plant in Spain are not a copy of a project drafted previously by the US group.

"We have a right to be sceptical," Mr David Herman, chairman of GM's German subsidiary Adam Opel, said yesterday. "It would be a real tour de force" if Mr José Ignacio Lopez de Arriortúa, GM's former procurement chief who is now at VW, had managed to develop a new concept between mid-March, when he left the US, and mid-June when he announced VW's plans.

Mr Herman was responding to claims in a letter received from VW in which Mr Ferdinand Piëch, chairman, said the German company did not have any confidential plans or documents about GM's ultra-low-cost factory project.

Mr Herman confirmed that he had written to Mr Piëch before Mr Lopez's announcement, suggesting that he consider the possible consequences if VW's project were the same as the one developed at GM under Mr Lopez's direction.

At the time Mr Herman wrote, German state prosecutors were investigating the US group's complaints that Mr Lopez and colleagues took secret documents with them when they absconded to VW. The German company has consistently rebutted the charges.

● It will be extremely difficult for Adam Opel to show a profit this year, Mr Gail Gunderson, finance director, said yesterday. Confirming a slump in net earnings to DM202m ($119m) last year compared with DM1bn in 1991, he said he expected 1993 turnover to fall 18 per cent to about DM24bn.

The company had been profitable in the first five months, Mr Gunderson added.

According to Mr Herman, German registrations of new Opel brand vehicles had fallen 21 per cent to 244,000 in the first six months. Production in the German concern had dropped 15.6 per cent to around 500,000, while deliveries fell from 670,000 to 569,000.

He could not see any grounds for optimism in the second half. "On the contrary, we will have to adjust production in our works to further falls in demand," he said.

Securities chief leaves Deutsche Bank

By David Waller in Frankfurt

MR BARTHOLD von Ribbentrop, executive vice-president in charge of securities sales trading at Deutsche Bank, is leaving Germany's largest bank to set up an investment fund.

Mr von Ribbentrop, who has been with Deutsche Bank since 1971, is working with a group of unnamed partners to raise DM500m ($301.2m) in start-up capital. The fund will be designed to enable foreign institutions to invest in medium-sized German companies, the so-called Mittelstand.

He said yesterday foreign institutions' opportunities to invest in the German economy were limited by the structure of the German equity market. There were only 665 quoted companies, and this did not cover the full depth of the German economy.

Foreign institutions were obliged to channel investments into a small number of large financial and industrial conglomerates, he argued. This left them no option to make direct investments in the Mittelstand, which generated about 50 per cent of non state-sector German GDP and employed 75 per cent of the total German workforce.

A number of foreign banks had tried to establish such funds but have had only limited success, reflecting the difficulties of entering the German venture capital market.

Market participants say Germany's leading financial institutions tended to get the best investment opportunities for their own equity participation portfolios. Attempts by independent German financial institutions to set up such investment funds had also foundered.

Mr von Ribbentrop, 52, who has been based in Frankfurt since 1986 after spending most of his career with Deutsche Bank in New York, is succeeded by Mr Bernd-Albrecht von Maltzan, 44, currently in charge of securities at Deutsche Bank's Mannheim branch.

Shopping for European expansion

Ronald van de Krol finds Ahold seeking acquisitions closer to home

INVESTORS pondering the question of where Ahold, the acquisitive Dutch supermarket group, is likely to make its next significant purchase have a yet wider range of possibilities on which to place their bets.

Ahold, the Netherlands' dominant food retailer, which already generates half its sales in the US, is rapidly building up a presence in two virgin territories, Portugal and the Czech Republic.

In Portugal, Ahold has recently concluded a series of deals with new joint-venture partner, Jeronimo Martins, making it the second-largest food retailer in the country in just 12 months.

In the Czech Republic, Ahold has taken advantage of the country's privatisation programme to build up a 23-store chain. By the end of the year it hopes to have 30 stores.

Concerted expansion in Europe is a new phenomenon for Ahold, whose acquisitions outside the Netherlands have focused until recently on the US, where it owns more than 500 supermarkets in the Boston-Chicago-Atlanta triangle. The stores are spread mainly over four well-known supermarket chains: First National, BI-LO, Giant and Tops, the last of which was acquired in 1991.

Mr Cees van der Hoeven, Ahold's former finance director and now president, says the company sought to spread its risks and build up a balanced portfolio of companies. However, whether it invests in the

Cees van der Hoeven: 'some synergy in Europe'

US or in Europe will depend on available opportunities, not on the pursuit of pre-determined targets for geographic spread.

Southern Europe is particularly attractive because of expectations of high growth, he says, but the company is casting its net widely.

"Ideally, I think in a number of years' time we should have operations in a number of European countries. But by the same token, we should also have further growth in the US," says Mr van der Hoeven.

He says Ahold is in contact with potential acquisition candidates in the US. In Europe, it is in constant touch with at least three companies interested in pursuing ideas for business partnerships.

The timing of any big acquisition will determine whether financing is by equity or debt, Mr van der Hoeven says. In the spring, Ahold made a Fl 450m ($238.1m) rights issue to strengthen shareholders' equity after its recent string of acquisitions.

Ahold's expansion in Europe is proceeding quite differently from its US experience. In the US, Ahold grew by gradual expansion in 12 contiguous eastern states, creating opportunities for co-operation between the various chains in advertising, warehousing, distribution, private labels and merchandising.

If this pattern could be followed in Europe, acquisitions in neighbouring Germany and Belgium would be logical, but prospective candidates are expensive and difficult to find. Instead, Ahold has chosen two very different, far-flung markets to gain its first European footholds.

"There is some synergy in Europe, though admittedly less than in the States," he says. For instance, the Portuguese joint-venture has joined the Associated Market Services alliance, which groups 11 top European food retailers, including Argyll of Britain, Casino of France and Ahold itself. Further synergy is created by the transfer of know-how in systems and distribution to the Portuguese and Czech stores.

Mr van der Hoeven estimates that Portugal could eventually account for a sizeable share of Ahold's annual sales, though probably not more than 10 per cent of the total. The Czech Republic – a longer-term proposition – will probably not come close to reaching this 10 per cent level, he says.

Unlike in the US, Ahold has chosen to expand in Portugal by way of a joint-venture. Such arrangements are less common in the US, where people prefer to know who "the boss" is. In its joint venture with Jeronimo Martins, the Dutch company holds 49 per cent of the shares, but its voting power is equal to that of its 51 per cent partner.

All told, the two companies own 45 "Pingo Doce" supermarkets; another 40 stores to be given the Pingo Doce name; three Feira Nova hypermarkets; and the 54-store Ino Supermercados chain of smaller grocery stores. These stores have a combined annual turnover equivalent to $900m.

For all the excitement surrounding Europe's single market, Ahold does not believe that exporting supermarket formulae from one country to another will work, because each culture has its own way of presenting food. In Spain, hypermarkets are a fixture in the food retailing landscape; in the Netherlands, they are not.

Mr van der Hoeven says: "Although Spaniards will be drinking Coca-Cola, eating Campbell Soup and using Heinz ketchup and Nestlé chocolate, they will shop in a different environment."

Framatome net slips to FFr950m

By Alice Rawsthorn in Paris

FRAMATOME, France's state-controlled nuclear reactor group, yesterday announced a slight fall in net profits, to FFr950m ($170.55m) in 1992 from FFr986m in 1991. It warned of a further fall in profits in the current year.

Mr Jean-Claude Leny, chairman, said he expected to see the group's net profits settle at around FFr800m in 1993. This would be a reduction of 15 per cent on last year's figure.

The pressure on Framatome's profits comes at a time when the group is trying to reduce its reliance on traditional nuclear activities by diversifying into new fields.

Earlier this year, it agreed terms to buy Jeumont-Schneider, the electrical components division of the Schneider electrical engineering group. One of the conditions of the deal, which formed part of a pre-electoral reshuffling of state assets by France's old socialist government, was that Framatome agreed to sell the non-nuclear side of Jeumont-Schneider to Alcatel-Alsthom, the electronics concern privatised by the last centre-right administration.

The diversification is expected to help Schneider's return to profits growth.

The group last year saw sales slip to FFr12.66bn, against FFr14.17bn in 1991. However it benefited from an increase in orders, which rose to FFr37.19bn from FFr33.17bn during the same period.

Mr Leny said he expected group sales to rise to FFr15bn this year.

ACT to pay £93m for BIS Group

By Alan Cane in London

ACT, the Birmingham-based computing services company, yesterday agreed to pay £93.5m ($139m) for BIS Group, a UK-based subsidiary of the Nynex Worldwide Services Group.

The deal will create the largest UK-owned computing services and software company with annual sales over £250m and one of the world's largest suppliers of financial software.

BIS is a software and services company best known for the "Midas" software used by several hundred banks worldwide. Nynex, a leading US telecommunications company with revenues last year of $13.2bn acquired BIS for £75m in 1987.

The consideration will be partly in cash from ACT's own resources and partly by a four-for-13 rights issue at 123p a share through which ACT is raising £50.9m net of expenses. The issue was fully underwritten by Barclays de Zoete Wedd. The market signalled approval of the deal as the share price recovered to 153p after slipping 8p from an overnight 155p.

Of the cash payment, some £25m is deferred, payable in two equal tranches six and 12 months after completion, to be met from cash generated by the enlarged group and disposals. ACT had net cash of about £25m at its year-end in March.

The deal and rights issue will be put to ACT shareholders on July 8. ACT has already asked the Office of Fair Trading to clear the deal.

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Commerzbank advances

PROFITS at Commerzbank, Germany's third-largest bank, grew at "a double-digit rate" in the first five months of the year, the bank's chief executive said yesterday, writes David Waller.

Mr Martin Kohlhaussen did not go into details, but said that the growth – which follows an increase in operating profits of more than a quarter in the first three months of the year – was more due to strong trading gains than an increase in interest income.

The comment shows the continuing prosperity of the German banking sector in terms of total operating profits, which include gains from own account securities dealing. But the figure takes no account of provisions against bad and doubtful debts.

Commerzbank's shares have risen against the market in recent weeks. Although the bank, almost alone among big German financial institutions, could be vulnerable to a takeover, Mr Kohlhaussen said yesterday there were was no evidence that a third party was accumulating shares.

Fortis seeks bank stake

FORTIS, the Dutch-Belgian financial services company, has started detailed talks on taking a "significant" stake in the Belgian state-owned savings bank ASLK-CGER, writes Ronald van de Krol in Amsterdam.

ASLK-CGER has granted Fortis an exclusive but temporary right to negotiate a deal, in preference to Belgium's largest bank, Générale de Banque, which had also submitted an indicative, non-binding offer for the bank in May.

The Belgian government has said that it might be prepared to sell a majority stake in ASLK-CGER. However, Belgian law would have to be amended to allow this.

A 49 per cent stake in the Belgian savings bank could be worth up to BFr33bn.

Fortis and ASLK-CGER said: "Both parties are convinced that a possible agreement between them would bring considerable opportunities, and open the way for them to play a leading role in Europe while preserving the identity and the operational autonomy of each company."

GM to shift capacity back to US

By Martin Dickson in New York

GENERAL MOTORS begins crucial talks today on a new three-year labour contract with the United Auto Workers' union – but in a much improved atmosphere, helped by a GM announcement that it is moving some car production from Mexico to the US.

Detroit's other two big motor manufacturers – Ford and Chrysler – also face contract negotiations this summer, but GM's are potentially the most difficult because it faces more serious financial problems in North America than its rivals, while its labour relations have been traditionally worse than theirs.

However, Mr Jack Smith, chief executive of GM since last autumn, has been trying hard to ameliorate the distrust between the company and the UAW – including taking the unusual step of leading the GM team when talks open today.

In a significant move on Monday, he also announced GM was to shift production of 70,000 to 100,000 units annually of its Chevrolet Cavalier subcompact car from a plant in Ramos Arizpe, Mexico, to Lansing, Michigan, next year.

The move will create between 800 and 1,000 jobs in Lansing, which will be filled, at least in part, by laid-off GM workers. In return, GM has won from the UAW an agreement at the Lansing plant which should ensure much greater labour flexibility and productivity.

The agreement, hailed by both the union and management as a example of sensible co-operation, should also give a boost to proponents of the North American Free Trade Agreement, bringing together the US, Mexico and Canada.

NAFTA is facing a tough battle in the US Congress for ratification, with opponents arguing it would involve a large loss of American jobs to Mexico's cheaper labour market. However, GM's move is likely to be used to demonstrate that job movement will not be all one-way.

Jack Smith: leading GM team in union contract talks

The Cavaliers being moved to Lansing are earmarked for the US and Canadian markets. GM says the shift should not mean any job losses in Mexico, with Cavalier production expanding to meet growing local demands and GM considering building a new small car at Ramos Arizpe for the Mexican market.

GM does not manufacture a small car in Mexico, where this section of the market is dominated by Volkswagen and Nissan.

Mr Stephen Yokich, the chief UAW negotiator at GM, said he believed this was the first time a US motor manufacturer had moved production out of Mexico to the US.

Praising Mr Smith, he said that "since he took over as CEO we have had more talk and more working together than we have had in the history of GM and the UAW."

Still, the contract talks will be heavy weather. The Big Three will be seeking greater labour flexibility and lower health and pension liabilities, while the union will be trying to maintain benefits and prevent job losses.

After initial negotiations, the union traditionally selects one of the Big Three as its prime target and then tries to impose the settlement reached with this company on the other two. Many analysts believe GM is the likeliest target for this so-called "pattern bargaining".

Bull in link with US computer company

By Alan Cane

GROUPE Bull of France and Packard Bell, a US personal computer manufacturer, yesterday announced an agreement in principle to form an alliance between the US company and Zenith Data Systems, Bull's microcomputer arm.

Bull said it was taking a 19.9 per cent interest in the privately-held US company but refused to disclose the value of the stake.

Under the terms of the alliance, ZDS and Packard Bell will jointly design and manufacture desktop PCs, giving both companies the benefit of their combined engineering expertise and the high-volume, high-efficiency manufacturing technology used by Packard Bell.

ZDS will supply Packard Bell with private-label versions of the French company's notebook and sub-notebook PCs. It already has an agreement with IBM for the supply of notebook computers, but the new deal will allow it to find greater cost efficiencies through increased volumes.

A pioneer in portable computing, ZDS has been losing market share to Compaq and Apple since its acquisition by Groupe Bull. Mr Bernard Pache, Groupe Bull chairman and chief executive, said the deal reinforced Bull's commitment to the PC market.

Packard Bell is a leading supplier of low-priced "clones" of IBM's market-leading PC designs. It is the third-largest US supplier in unit terms of PCs, according to market research organisation International Data Corporation.

WMX earnings warning prompts share price fall

By Laurie Morse in Chicago

WMX TECHNOLOGIES, the international disposal company that recently changed its name from Waste Management, has issued an earnings warning.

It said declines in US government-directed environmental clean-ups were trimming income from a prime subsidiary, Chemical Waste Management, and would lead to lower-than-expected earnings in the second quarter.

The news, released after Wall Street closed on Monday, pushed WMX stock down $1¾ to $33¾ in early trading yesterday. WMX said although quarterly earnings from its other subsidiaries, including Wheelabrator Technologies, Waste Management International and Rush International were on target, softness in Chemical Waste's earnings would reduce second-quarter results by 2 to 3 cents per share. Analysts had projected WMX second-quarter earnings at near 45 cents per share. Now, they say, earnings could be closer to 42 or 43 cents. The company will release its second-quarter results in July.

Chemical Waste said it expected second-quarter operating earnings in the range of 5 to 6 cents per share, below Wall Street estimates and down from 16 cents in the second quarter of 1992.

The company began to experience a drop in waste volumes from clean-up projects in the last quarter of 1992, and the trend has continued so far in 1993.

"Government-mandated clean-up work at contaminated areas has failed to materialise," the company said.

The company added that private contracts for hazardous waste disposal were being postponed.

Celsius opens year with profits advance

By Christopher Brown-Humes in Stockholm

CELSIUS Industries, Sweden's newly-privatised defence group, yesterday unveiled profits after financial items of SKr205m ($27.13m) for the first four months, up SKr10m from the same period in 1992.

The company, whose shares will be traded on the Stockholm stock exchange for the first time today, benefited from cost-cutting and disposal of the lossmaking piping installation company Calor Vanadis.

It said the figures increased its confidence it would at least equal last year's profit of SKr545m.

Considerable streamlining before privatisation largely explains a 17 per cent drop in sales to SKr3.34bn. The group sold Calor Vanadis and Calor VVS at the end of last year and acquired the defence electronics activities of Nobel Industries – now known as Celsius Tech – in February.

The most disappointing performance came from arms maker Bofors, where sales fell to SKr1.12bn from SKr1.48bn and profits dropped to SKr56m from SKr87m.

Celsius said the fall was "temporary" and partly because series production of a new combat vehicle, the CV 90, was about to get under way.

The high-technology units FFV Aerotech and Teluh produced a combined profit of SKr89m, up from SKr68m, helping to offset the drop in Bofors profit. Suhmarine company Kockums saw profits weaken to SKr80m from SKr88m.

The Celsius share offer, Sweden's biggest privatisation, was heavily oversubscribed. The group has 56,000 shareholders, hut the state remains the largest with a 25 per cent stake.

Skis Rossignol back in black

By Alice Rawsthorn in Paris

SKIS Rossignol, the French company which is the world's largest ski equipment manufacturer, returned to the hlack in its last financial year.

It prodnced net profits of FFr36.65m ($6.45m) in the 12 months to March 31, against a net loss of FFr53.95m the previous year.

News of Skis Rossignol's return to profit came a day after the announcement of an increase in 1992-93 profits from Groupe Salomon, the other leading French ski equipment maker. Both companies are recovering from a succession of poor skiing seasons in the Alps.

The growth in turnover would have been even higher – at 17.1 per cent – on stable exchange rates.

Operating profits rose sharply to FFr142.89m from FFr11.45m between the two financial years.

Abitibi-Price suspends quarterly payout

By Bernard Simon in Toronto

ABITIBI-PRICE, one of North America's higgest newsprint producers, has suspended its quarterly dividend, hlaming sluggish newsprint prices and a need for capital to modernise its mills.

Abitihi has heen controlled for the past three months by a group of international banks, which have taken over in all hut name the 82 per cent stake owned hy Olympia & York, the crippled property developer.

The hanks are working towards a decision on whether and how to sell their stake.

An Abitibi official said the decision to omit the dividend was unrelated to the change in control, hut was entirely dictated hy business factors.

The last dividand of 12.5 Canadian cents a share was paid in March. The payout was cut from 25 cents in 1989.

Mr Ronald Oberlander, chief executive, said the dividend halt was "in the best long-term interests of our shareholders."

The North American newsprint market bounced up earlier this year as customers lifted inventories to protect themselves from a price increase and the possibility of a strike during lahour negotiations at mills in eastern Canada.

Mills sharply raised production to meet the demand, with capacity utilisation in Canada jumping from 85 per cent in March to 99 per cent in April.

But the improvement has not been sustained. Several companies, including Ahitihi, have announced production cuthacks to counter the ranewed downward pressure on prices.

Ahitihi sufferd a C$148m operating loss last year, and another C$24m (US$18.7m) in the first three months of 1993.

Last year's losses were offset hy proceeds of C$353m from asset sales, hut no similar disposals hava taken place so far this year.

The company is still seeking huyers for three paper-converting and office products businesses.

It sold a paper mill in north-west Ontario to a group of employees earlier this year, hut is providing C$20m to support the venture.

Ares-Serono sees sales slip

By Frances Williams in Geneva

ARES-Serono, the Swiss-based pharmacentical group and world leader in human fertility drugs, expects sales to fall this year to between $820m and $840m from $854.5m in 1992, dne mainly to the dollar's strength. Operating income last year was $80m.

Mr Fabio Bertarelli, chief executive and principal shareholder, said yesterday currency movements were obscuring gains in product sales and market share.

Its accounts are consolidated in dollars, althongh half its sales are in Italy and Spain, which have suffered large currency devaluations.

In May, the gronp announced an 8.8 per cent drop in sales in the first quarter, compared with a year earlier, hnt in constant dollar terms turnover rose 3 per cent.

Valmet cuts losses to FM72m at four months

By Christopher Brown-Humes

VALMET, the Finnish paper machinery and engineering group, cut losses after financial items to FM72m ($12.7m) in the first four months, from FM126m in the same period in 1992.

Given the stronger performance, and signs of revival in the wood processing industry, the group has forecast a "considerahle improvement" in income for the full year, after 1992's FM298m loss.

Sales rose 38 per cent to FM3.31hn, and the operating margin rose to FM265m from FM123m.

However, financing costs increased to FM152m from FM84m, mainly because of a FM50m foreign exchange loss following the depreciation of the markka.

The company's paper machinery division was the star performer, with sales rising to FM1.46bn from FM603m, thanks to the timing of several large machine deliveries.

Other units improved sales, except at Saab-Valmet, where sales fell to FM384m from FM608m after a dispute with Adam Opel interrupted production of Opel Calibra cars.

Valmet's optimism for the rest of the year is based partly on a pick-up in orders as the forestry sector shows signs of recovery. At the end of April, the group order backlog was worth FM6.3hn, against FM4.7bn at the end of April 1992.

The company forecasts a 10 per cent increase in 1993 sales from FM9.64hn last year, and says all its units should show positive operation income.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 23.06.93			Final Prices for Trading on 20.06.93	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Nippon Steel buys into NSW mine

NIPPON Steel is to take a 10 per cent stake in the Bulga mine, a New South Wales coal operation within the Oakbridge coal mining group, AP-DJ reports from Sydney.

Oakbridge said Nippon Steel would bring "obvious financial strengths" to the venture and is expected to commit to "significant coal purchases" from the Saxonvale-Bulga mine in the Hunter Valley region.

The Australian company said it was holding negotiations with the hope of securing a third equity partner for the Bulga venture.

Oakbridge said it is proceeding with an expansion plan at the Saxonvale-Bulga mine aimed at doubling annual coal production to 6m tonnes a year by 1996.

Oakbridge is 40 per cent-owned by McIlwraith McEacharn. Cyprus Minerals of the US took control of McIlwraith earlier this year in a takeover bid which valued McIlwraith at A$82m (US$56m).

The price Nippon Steel is paying for its Bulga stake was not disclosed.

HK's superman finds warmer winds from China

Simon Holberton examines Li Ka-shing's developing business relationships with the mainland

IT WAS a scene that summed up just how far Mr Li Ka-shing, the Hong Kong property tycoon and much else besides, has come since 1989.

This April, the man whom Hong Kong's citizenry likes to call "superman", was on hand to lend his lustre and support at the launch of New China Hong Kong, an investment company that marries impeccable mainland connections and Hong Kong money and which is fronted by Mr T. T. Tsui, another local tycoon.

On the dais at Hong Kong's Hilton Hotel, Mr Li rubbed shoulders and joked with Mr Zhou Nan, head of the New China News Agency, Beijing's unofficial "embassy" in the colony, and Mr Guo Fengming, China's top negotiator in talks with the UK about Hong Kong's transfer of sovereignty in 1997.

In 1989, after the Tiananmen Square protests, Mr Li was openly hostile to the Beijing regime. He talked of diversifying his assets away from Hong Kong, and he was also critical of local businessmen who publicly justified Beijing's suppression of the demonstrators.

"If you bend with the political wind, if you have no principles, probably you'll have an easier time doing business around here," he told the Asian Wall Street Journal in November 1989. "I would much rather keep my mouth shut than say what I don't believe to be true."

Mr Li is still keeping his mouth shut, but since China re-embraced economic reform more than a year ago he has judged the political wind to be warming. He is now spending most of his time on the China-related business ventures in which his two main listed companies – Cheung Kong and Hutchison Whampoa – are engaged, and in the task of developing contacts with Beijing's power brokers.

Mr Li has forged links with a son and a son-in-law of Mr Deng Xiaoping, China's frail senior leader, and with Shougang Corporation, the third-largest Chinese steelmaker headquartered in Beijing and backed by Deng. His latest foray into the Hong Kong stock market – the attempted takeover of Miramar Hotel and Investment – is with Mr Larry Yung, the son of Mr Rong Yiren, China's vice-president, and the head of Citic Pacific, Beijing's premiere investment company in Hong Kong.

As befits a cautious man, Mr Li has not placed all his eggs in the same basket. Although he has spent most of his time cultivating the children of Mr Deng, he has also given assistance to the children of Mr Chen Yun, Mr Deng's ideological opponent and chief rival for supreme power. Last December, he helped China Venturetech, a company controlled by Ms Chen Weili, to acquire a Hong Kong listing. His Cheung Kong joined with Venturetech to take over Public International, an investment company which is China Venturetech's listed vehicle in the colony.

Mr Li's cultivation of China's top leaders and their offspring, is simply the conventional Chinese approach to business. As Mr Li and other Hong Kong tycoons know, in China the way to get deals done is through personal connections with powerful people. Says Miss Pauline Loong, China analyst at brokers Jardine Fleming: "The fact is that Deng's children are all important people. They know other important people, and their power will survive the death of their father."

But there is also a pattern emerging in the deals Mr Li is doing. Shougang, in addition to being an important steel producer in China, also has a large construction business. Last week, Mr Li strengthened his connections with China's metals industry when he joined with China National Non-ferrous Metals Corp (CNNC), the vice-president of which is Mr Wu Jianchang, a son-in-law of Mr Deng.

Last month, Mr Li joined with Mr Deng Zhifang, Mr Deng's son, and Shougang to take over Kadar Investment, a local Hong Kong property company. The Kadar takeover appears to be more akin to Mr Li's tilt at Miramar which, in an unusual development for Hong Kong, has run in to problems with a counterbidder. But the mainland tie-ups seem to serve an important strategic interest in China.

"I think that one of the important lessons Mr Li has learned from his 30 years in business is the importance of control of the market you operate in," says Mr Archie Hart, director of research at brokers Crosby Securities. "He has made a lot of money in Hong Kong by controlling the property market and the container port. He wants to apply that principle to his business interests in China."

In China, Mr Li is involved in projects worth HK$129.2bn (US$16.7bn), of which his attributable interest is HK$19.7bn. Investments are wide ranging and include ports development and power station construction, but most of his investments are in property.

"He knows he can not exercise the same control over land in China as he does in Hong Kong so he has opted for tie-ups with companies that are important to the construction process," says Mr Hart.

With building materials' prices in southern China rising by more than 50 per cent in the first three months of this year compared with a year earlier, access to materials has become a priority for developers. Mr Li's new found friends in Beijing just might be able to help.

LI KA-SHING'S BEIJING CONNECTIONS

Target	K S Li's interest (%)	Chinese partner	Leadership connection
Kader Inv.	9.1	Sifang Grand Development; Shougang Corpn	Deng Zhifang, son of Deng Xiaoping; Zhou Guanwu, chairman; member of National People's Congress; Deng protege
Oriental Metals	18.0	China National Non-ferrous Metals Corp	Wu Jianchang, Deng's son-in-law
Public Intl	9.2	China Venturetech	Ms Chen Weili, daughter of Chen Yun
Tung Wing Steel	21.0	Shougang	Deng-endorsed company
Sental Mfg*	18.3	Shougang	Deng-endorsed company

*Subsequently sold. Source: stock exchange announcements

Li Ka-shing: spends most of time on China-related ventures

Semi-Tech to sell 51% Singer interest

By Simon Holberton in Hong Kong

SEMI-TECH (Global) is to sell its 51 per cent interest in Singer Company to International Semi-Tech Microelectronics (ISTM) for HK$6.63bn (US$850m) cash.

ISTM is Semi-Tech's controlling shareholder. It is a Toronto-quoted company controlled by Mr James Ting, who is also chairman and chief executive of Hong Kong-listed Semi-Tech, and Singer, which is listed on the New York Stock Exchange.

Semi-Tech said it would use the proceeds of the sale to develop G M Pfaff of Germany, Europe's leading sewing machine manufacturer, in which it has a 51 per cent interest, and Sansui, a Japanese consumer electronics manufacturer.

ISTM is paying US$33.50 a share, compared with Singer's closing price in New York on Monday of $35⅛.

Semi-Tech said the sale was not outside the group and that current business relationships between Singer, Sansui and Pfaff would not be affected by the deal.

Mr Ting said yesterday that the sale of Singer represented a logical development for Semi-Tech which he described as "in-house investment bank", to the group which invests in sound businesses requiring restructuring.

"We want to re-create another Singer in Sansui and Pfaff. In addition, we will attempt to refocus our near-term investment and acquisition strategy on the high-growth Asia-Pacific region, including China."

Last week in the US, Semi-Tech reached a HK$730m out-of-court agreement with Bicoastal Corp, the former owner of Singer, for settlement of certain disputes between the two arising from Bicoastal's 1989 sale of Singer.

The purchase by ISTM of Semi-Tech's interest in Singer will be funded by US$300m of borrowings and the issue to Semi-Tech of "A" shares in ISTM to the value of US$55m.

The issue of these shares will be underwritten by a group led by Dominion Securities.

Toyota Motor takes 8% stake in Indonesian group

By William Keeling in Jakarta

TOYOTA Motor Corporation has taken an 8 per cent stake in Astra International, the Indonesian automotive conglomerate, in a deal worth Rp200bn ($95.9m).

Analysts see the deal as a vote of confidence in Astra, which has more than $800m in foreign debt and last year saw net profits fall 61 per cent to Rp81.5bn. Dismal sales also coincided with a financial crisis for the Soeryadjaya family, Astra's founders, when their privately-owned Bank Summa was closed at the end of 1992 owing more than Rp1,800bn.

According to analysts, the Soeryadjayas now own less than 10 per cent of Astra, compared to 73 per cent last year. Ownership is principally split between public investors (16 per cent), state-owned financial institutions (27 per cent), and a 17-member consortium of private investors which took a 33 per cent stake in January.

Astra's share price has recovered from a low of Rp8,500 last December to Rp13,250, although Toyota paid just Rp10,000 a share for its stake.

Toyota said Astra has also asked Toyota representatives to join its board, although there may be problems taking up the invitation under Indonesian law.

Brokers were quick to warn that yesterday's purchase does not mean Astra is free of its troubles.

Sales for the first four months of the year totalled just 28,495 units (of which 48 per cent were Toyota vehicles), down 13.5 per cent on the same period last year and 42 per cent down on 1991.

However, Astra may be able to improve profit margins following tax increases on imported completely built-up cars and reduced tax on imported components for vehicles assembled in Indonesia.

Sunkyong to cut back on subsidiaries

SUNKYONG Group, Korea's sixth-biggest business group, plans a package of mergers and a share sale reducing the number of the group's subsidiaries to 24 from 32, AP-DJ reports from Seoul.

Sunkyong is to sell two subsidiaries and merge seven others. It will sever its subsidiary relations with Yukong Fuchs and Sunkyong Cleantech by selling stakes of 50 per cent and 100 per cent respectively.

Yukong Fuchs is a joint-venture with Fuchs Group of Switzerland. "Fuchs has nearly agreed to our plan to sell our stake in the company," said Sunkyong.

Included in the merger plan are Sunkyong Pharmaceuticals and Sunkyong Information System which will merge respectively into Sunkyong Industries and YC&C Co.

The moves reflect Sunkyong's attempts to streamline its organisation.

Polish bank's shares surge as trading starts

SHARES in the Wielkopolski Bank Kredytowy (WBK), the first of Poland's nine main state banks to be privatised, rose steeply yesterday when the bank's shares began trading on the Warsaw stock exchange, writes Christopher Bobinski in Warsaw.

A public offer of the bank's shares in April saw 1.7m shares, or 27.2 per cent, sold at a price of 115,000 zlotys each ($6.5). According to traders, some 175,529 WBK shares yesterday changed hands at 350,000 zlotys, reflecting the general rise in share prices on the Warsaw stock market in the past two months.

The European Bank for Reconstruction and Development owns 28.5 per cent of the WBK for which it paid 210bn zlotys when the bank was privatised.

Bank Slaski, the next Hungarian state owned bank to be privatised, is to be offered to investors this autumn.

INTERNATIONAL CAPITAL MARKETS

Spanish prices jump on hopes of lower interest rates

By Peter John in London and Patrick Harverson in New York

SPANISH bonds jumped by more than a point yesterday as increasing confidence in the new government and a spate of European interest rate cuts led to hopes of an easing in Spain today.

In the futures market, the September contract was 1.15 points higher at its peak. Then, profit-takers took the contract down to close at 93.25, a gain of 0.90 on the day. Also, the yield spread against German bunds moved under a historic support level of 350 basis points to 347 basis points.

GOVERNMENT BONDS

Rate cuts in the Netherlands, Belgium, Portugal and Ireland, as well as the significant easing in the French intervention rate, have encouraged the belief that European central banks have no problem in easing independently of the Bundesbank.

■ AN ANNOUNCEMENT that today's German repo would be variable appeared to set the seal on any hopes of a significant rate cut and sent German bond prices lower. Bund futures for September delivery fell 12 basis points to 95.18.

The repo rate has been stuck at 7.6 per cent since early May and there were expectations that the Bundesbank might cut by as much as a quarter-point following the French cut on Monday.

However, those hopes were eroded by high money supply growth figures and were dealt a further blow by the continuing strength of the US dollar against the D-Mark. The dollar touched DM1.70 in intra-day dealing in London yesterday.

■ FRENCH government bonds paused for breath yesterday following their recent surge, as some investors wondered if the yield spread against bunds had narrowed far enough.

The spread for April 2003 benchmark bunds and OATs widened slightly to 12 basis points.

■ THE GILTS market started brightly, but an early quarter-point gain was eroded on the latest auction announcement, with September UK gilt futures easing ¼ point to 106¼. The Bank of England is to auction £3.25bn of 8 per cent Treasury stock due 2003 on June 30.

There was little surprise at the auction details but they gave an opportunity to take profits after a solid rise prompted by the announcement of sharply lower UK inflation and helped by the French rate cut.

In the cash market, the benchmark 9 per cent Treasury stock maturing 2008 fell ⅜ to 107 11/32, although at the shorter end the five-year dated March 1998 gained ⅛ points to 101⅛.

■ IN THE remaining high yielding European markets, Italian government bonds were volatile. They rose in early trading on the prospect of a half percentage point interest rate cut, but prices slipped later in the day on concerns over a vote of confidence called by Mr Carlo Ciampi, the prime minister, and closed 0.27 point lower at 102.08.

Portuguese bonds were strong, buoyed by investor confidence that the escudo will remain stable and local money rates will continue falling. Two state banks followed up Monday's quarter point cut in the Bank of Portugal's key money market rates by announcing a further cut of up to half a point in the prime rate.

■ LONGER-DATED US Treasury prices firmed slightly yesterday morning, but the short end of the market remained steady ahead of the afternoon auction of two-year notes.

By midday, the benchmark 30-year government bond was up ⅛ at 104 12/32, yielding 6.761 per cent. At the short end of the market, the two-year note was unchanged at 99 31/32, to yield 4.124 per cent.

Trading was relatively subdued throughout the morning, especially at the short end of the market, as investors and dealers prepared for the afternoon sale of $16bn of two-year notes and today's auction of $11bn of five-year notes.

Comments just before midday from Mr Wayne Angell, one of the Federal Reserve governors, had little initial impact on sentiment. He said the Fed was ready to tighten monetary policy if inflation revived.

He reiterated to Republican members of the Congressional joint economic committee the importance that the Fed should "continue to focus in all circumstances on price level stability," but also expressed optimism on the prospects for low wage price inflation.

Mr Angell's comments came just a week after May consumer and producer prices data revealed that inflation was not as threatening as bond market investors and dealers had originally feared.

There was little else to stir interest and the day's only economic news – the Johnson Redbook report on retail sales – was due later in the session.

FT FIXED INTEREST INDICES

	June 22	June 21	June 10	June 17	June 10	Year ago	High *	Low *
Govt Secs (UK)	96.50	96.41	96.03	95.95	95.62	88.55	98.04	93.28
Fixed Interest	113.78	113.40	113.03	112.47	112.04	104.28	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation, 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation, 113.83 (8/3/93), low 50.53 (3/1/75).

GILT EDGED ACTIVITY

Indices*	June 21	June 18	June 17	June 16	June 15
Gilt Edged Bargains	105.6	105.3	102.1	100.0	114.9
5-Day average	105.8	101.4	98.3	92.7	91.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		0.500	08/03	113.7845	+0.531	7.53	7.57	7.70
BELGIUM		9.000	03/03	112.4700	-	7.17	7.23	7.40
CANADA *		7.250	06/03	99.2000	+0.050	7.38	7.46	7.62
DENMARK		0.000	05/03	106.8500	-0.200	7.00	7.15	7.52
FRANCE	BTAN	8.000	05/98	107.1831	-0.111	6.29	6.41	6.64
	OAT	8.500	04/03	111.7700	-0.110	0.81	6.94	7.18
GERMANY		6.75	04/03	100.2350	-0.080	6.71	6.76	6.91
ITALY		11.500	03/03	101.6500	-0.115	11.52†	11.69	12.25
JAPAN	No 119	4.600	06/99	102.3839	-0.295	4.30	4.28	4.81
	No 145	5.500	03/02	108.5430	-0.203	4.46	4.44	4.72
NETHERLANDS		7.000	02/03	103.3600	+0.040	6.51	6.58	6.73
SPAIN		10.300	06/02	100.7038	+0.812	10.17	10.70	11.02
UK GILTS		7.250	03/98	101-05	+5/32	6.94	7.07	7.11
		8.000	06/03	101-10	-4/32	7.77	7.92	8.06
		9.000	10/08	107-13	-3/32	8.13	8.33	8.48
US TREASURY *		6.250	02/03	102-18	+4/32	5.89	5.92	6.10
		7.125	02/23	104-21	+17/32	6.78	6.80	7.03
ECU (French Govt)		6.000	04/03	105.9700	+0.100	7.13	7.32	7.48

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Fed says derivatives growth understated

By Tracy Corrigan

THE growth of the derivatives market may be exceeding estimates by trade associations, according to Mr David Mullins, vice-chairman of the board of governors of the Federal Reserve.

The Fed puts the total notional value of derivative instruments in the US banking system at $7,000bn in the first quarter of the year, much higher than estimates by the International Swaps and Derivatives Association, whose end-1991 figures, still widely cited, put the value of derivatives globally at under $4,000bn. (Fed figures include foreign exchange forward contracts and forward rate agreements.)

Mr Mullins added that notional value is not an accurate measure of exposure. He said credit exposure for the same period, based on replacement value, was just $140bn.

But increasing concern about creditworthiness and tougher competition has concentrated that business among a much smaller group of players. Mr Mullins says 90 per cent was conducted by just six US banks.

Although this concentration is of some concern, "the institutions know who they are and we should be able to supervise them," he said. The US banks most active in the derivatives market are Citibank, Chemical, JP Morgan, Bankers Trust, BankAmerica, and Chase.

Meanwhile, the pace of research into derivatives shows no sign of abating. The Group of 30 study on derivatives chaired by Sir Dennis Weatherstone is expected to be published in July, while the technical committee of the International Organisation of Securities Commissions will start a derivatives working party in September.

Euroclear study aims to cut the cost of settlement

By Peter John

RESEARCH aimed at tackling the huge international investment losses caused by time delays and national regulatory inconsistencies in securities settlement has been published by Euroclear, the international clearing house.

Euroclear's two-year study concentrates on the costs and risks of cross-border securities trading and was backed by Price Waterhouse. Its recommendations are:

● To ensure that holders of securities have title at each stage of the transfer and update ownership and transfer laws;
● To streamline the system which enables international investors to avoid paying taxes in both countries;
● To cut back on regulations surrounding wholesale investors;
● To allow for two settlement periods each day at each central securities depository to smooth over the delays created by international time differences;
● To enable investors to settle before the settlement deadline;
● To set up an international information system covering the corporate announcements in each country;

It is lobbying for the recommendations to be taken up within five to seven years and believes that their adoption by national regulators could save billions of dollars.

Mr John Olds, general manager of Euroclear in Brussels, would not quantify the potential savings for the group's 2,700 members and shareholders who, with clients of Cedel, its rival clearing house, made cross-border transactions in domestic and international securities worth $15,000bn in 1992. "We took as a benchmark an active broker/dealer clearing $500m a day. We estimate that firm would save $25m a year," he said.

The in-depth analysis of cross-border securities dealing seeks to push forward the impact of a 1999 report by the Group of 30, a Washington-based 'think-tank'. That report established the principle of three-day settlement but was mainly influential in domestic markets.

Republic of Austria launches record Swiss franc offering

By Tracy Corrigan

THE REPUBLIC of Austria yesterday launched the largest offering to date in the normally tranquil Swiss franc bond market.

The SFr1bn seven-year deal, launched by Swiss Bank Corporation, is part of a broader effort to improve the liquidity of the Swiss franc market by creating trading benchmarks.

INTERNATIONAL BONDS

The aim is to attract more overseas institutional investors, who have usually avoided the market because of its poor liquidity record.

"The deal prompted international interest," said one banker. "The prospect for liquidity is good compared with the Swiss government bond market, which remains underdeveloped."

An official at SBC said that the deal might be reopened, to provide extra liquidity, if Austria needed further funds. The deal was unswapped.

In the Eurolira bond market, which has expanded rapidly in the last few months and is benefiting from the efforts of Italian banks to trade the market more actively, the European Investment Bank added a further L300bn to its L700bn of five-year bonds launched earlier this month, bringing the total size of the deal, ahead of the settlement date, to L1,000bn. It is the first deal to reach that size since the EIB and other supranational and Italian borrowers lost their tax-exempt status last year.

Although interest in the Eurolira market is developing swiftly, and the availability of large liquid deals is likely to draw the attention of both borrowers and investors, the market may find it difficult to attract many borrowers able to issue in large size, due to a lack of arbitrage opportunities. The EIB has a natural demand for lira, because it will onlend the unswapped lira funds raised through the L1,000bn Eurobond.

Although the initial L700bn issue has rallied nearly 1¼ points since its launch earlier this month, on the back of renewed interest in lira bonds, the deal suffered somewhat when the market fell due to renewed political uncertainty yesterday.

At the end of the day's trading, the deal was quoted at 101.20, just inside full fees of 1¾ points.

● Standard & Poor's has lowered the ratings of the Province of Quebec and Hydro-Quebec to A+ from AA-, revising the outlook from negative to stable. The province's growing debt burden was cited as a key factor.

● S&P has assigned an investment grade rating of BBB- to the Republic of Colombia's recent $125m Eurobond issue due 1998. Colombia is the only Latin American country except Chile to be awarded an investment grade rating by S&P.

The rating reflects the country's "long-standing record of prudent economic and financial management, economic growth and uninterrupted servicing of foreign debt."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
Kaiyo Co (a)◆	100	2.375	100	Jul.1997	2.125	-	Yamaichi Bank (Deutch.)
FRENCH FRANCS							
Aerospatiale	1.5bn	7	98.61R	Jul.2003	0.35R	+45 (6¾%-03)	Crédit Lyonnais
CANADIAN DOLLARS							
General Electric Capt.Canada	200	7	99.125R	Jul.1999	0.275R	+37(6½%-98)	Swiss Bank Corp
Vancouver CSCU(b)	100	7	98.875R	Aug.1996	0.3R	+31 (6¾%-98)	Hambros Bank
ITALIAN LIRA							
European Investment Bank(c)	300bn	10.15	102.94	Jul.1998	1.75	-	BCI/BNL/Credito Italiano
AUSTRALIAN DOLLARS							
Toyota Finance Australia	100	6.25	101.104	Aug.1996	1.5	-	Merrill Lynch Intl.
Ford Credit Australia	50	7.5	100.75	Aug.1998	2	-	Hambros Bank
SWISS FRANCS							
Republic of Austria	1bn	4.5	102.125	Feb.2000	-	-	Swiss Bank Corp.
European Investment Bank◆	200	4.5	102	Jul.1997	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ◆Private placement. ‡With equity warrants. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 30/6/93. b) Borrowers full name: Vancouver City Savings Credit Union. c) Issue launched 9/6/93 was increased to L1000bn.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on June 22

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	47	10	20
Other Fixed Interest	6	0	5
Commercial, Industrial	249	244	907
Financial & Property	291	71	437
Oil & Gas	15	16	52
Plantations	1	1	6
Mines	22	45	72
Others	53	28	53
Totals	684	415	1,556

LONDON RECENT ISSUES

EQUITIES

[illegible]					

FIXED INTEREST STOCKS

[illegible]					

RIGHTS OFFERS

[illegible]					

TRADITIONAL OPTIONS

● First Dealings June 14
● Last Dealings June 25
● Last Declarations Sep. 16
● For settlement Sep. 27
3-month call rate indications are shown in Saturday editions.

Calls in Budgens, Crabtree, Intl. Business Comm., Phonelink, Rubicon, TR Technology, Turkey Tst. Warrants and J. Wilkes. Puts in Budgens. Doubles in TR Technology and Waverley Mining Fin.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

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FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Jun 22	Day's change %	Mon Jun 21	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (26)	127.45	+0.14	127.27	1.49	5.71
2	5-15 years (21)	148.38	+0.10	148.24	1.94	6.96
3	Over 15 years (9)	161.45	+0.04	161.38	2.68	4.55
4	Irredeemables (6)	181.63	-0.05	181.74	1.95	5.36
5	All stocks (62)	144.68	+0.10	144.54	1.92	6.04
	Index-Linked					
6	Up to 5 years (2)	185.04	+0.12	184.83	1.08	1.82
7	Over 5 years (11)	174.63	+0.10	174.35	0.82	2.82
8	All stocks (13)	174.91	+0.16	174.64	0.67	2.53
9	Debs & Loans (65)	131.31	+0.14	131.09	2.35	5.09

AVERAGE GROSS REDEMPTION YIELDS

			Tue Jun 22	Mon Jun 21	Year ago (approx.)
	British Government				
1	Low	5 years	7.00	7.05	8.21
2	Coupons	15 years	7.78	7.79	8.99
3		20 years	7.98	7.99	9.03
4	Medium	5 years	7.20	7.26	9.25
5	Coupons	15 years	8.14	8.15	9.15
6		20 years	8.25	8.26	9.12
7	High	5 years	7.38	7.40	9.46
8	Coupons	15 years	8.41	8.40	9.34
9		20 years	8.46	8.44	9.28
10	Irredeemables (Flat Yield)		8.35	8.34	9.26
	Index-Linked				
11	Inflation rate 5%	Up to 5 yrs	2.97	3.00	3.99
12	Inflation rate 5%	Over 5 yrs	3.53	3.54	4.34
13	Inflation rate 10%	Up to 5 yrs	2.18	2.21	3.23
14	Inflation rate 10%	Over 5 yrs	3.38	3.41	4.16
15	Debs & Loans	5 years	8.78	8.77	10.59
16		15 years	9.12	9.13	10.43
17		25 years	9.27	9.28	10.32

First Leisure takes a £20m step into bingo

By Andrew Bolger

FIRST LEISURE, the group that took ten-pin bowling upmarket in the UK, has finally made its move into bingo.

It has paid £19.9m for Nudge Leisure, a private company which owns seven large bingo clubs operating mainly in the Midlands, and intends to build a national chain of lavishly equipped venues.

The UK market of 1,000 bingo clubs is currently dominated by the Rank Organisation and Bass, which between them control more than 30 per cent of the clubs and a bigger share of the total revenue.

The market has long suffered from a dowdy image, being associated with middle-aged customers playing for low stakes in converted high street cinemas.

However, in recent years Rank and other operators have developed a new sector of the market, operating out of purpose-built units with extensive parking facilities.

Lord Rayne, chairman of First Leisure, said: "These units are attracting a new bingo customer who is more affluent and younger than the traditional target customer. It is the possibilities afforded by this structural change that make the bingo market particularly attractive to us."

Mr John Conlan, chief executive, said the group's new bingo division would grow mainly through the development of large units in main towns, close to residential areas, but with extensive parking. All would feature bars, food and gaming machines, which yield high profit margins.

He expected to spend £3m-£4m on each outlet and aimed to open two or three sites a year – eventually building a chain of 20-30 outlets, each with capacity of up to 2,000 people.

This would give First Leisure another business of similar size to its three other core activities – Super Bowls, discotheques and resorts such as the Blackpool Tower.

Mr Conlan said he had wanted to move into bingo for a long time, but Nudge was the first opportunity which offered the right size of sites with good management.

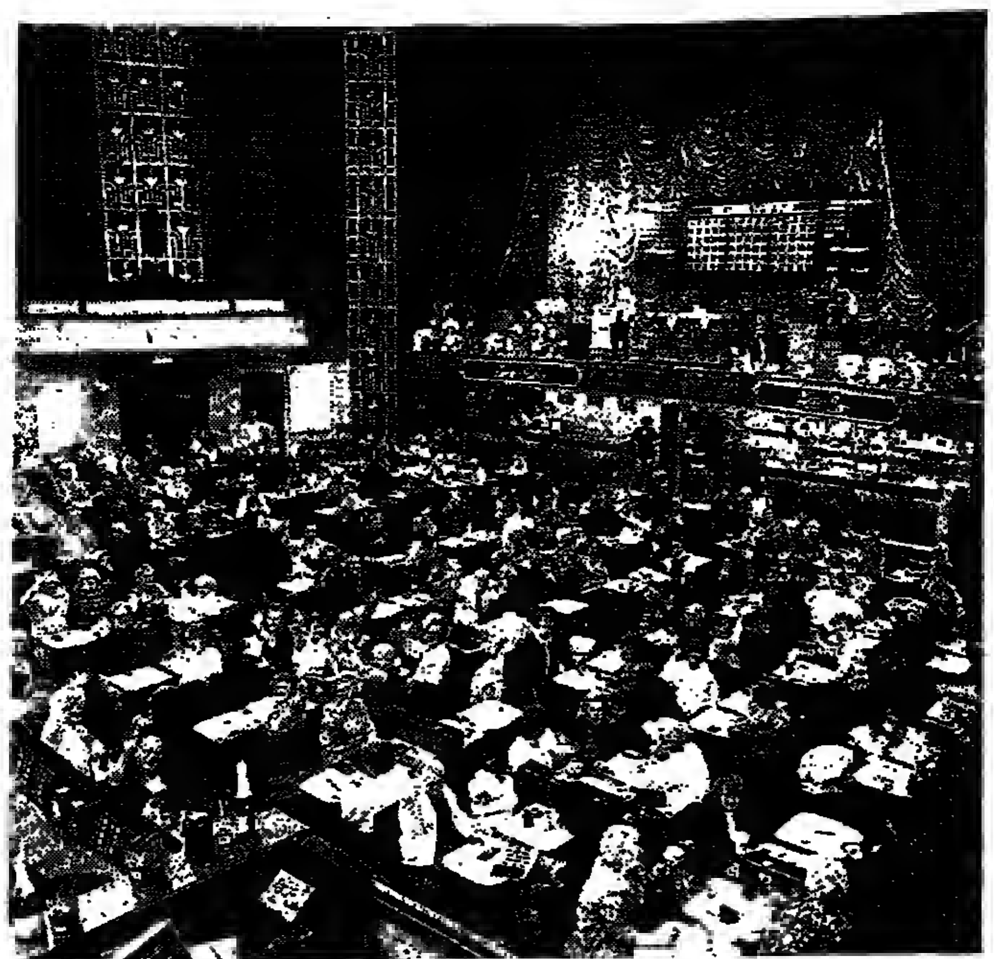
In the year to March, Nudge made pre-tax profits of £2.5m on sales of £9.6m, so a maintained performance would enhance the group's earnings per share.

The new bingo division will be managed by Mr Paul Talboys, 39, who joins First Leisure from Bass, where he is a senior bingo executive. The Nudge operation will continue to be run by Mr Peter Williams, who has managed the company for the last five years and previously worked with Bass and Mecca.

The acquisition was funded with a vendor placing of 5.65m First Leisure shares with institutions at 363p by Hill Samuel, with Cazenove as brokers.

The shares closed 1p lower at 364p.

See Lex


It's a full house! One of the purpose-built units that Lord Rayne says is attracting a new bingo customer who is more affluent and younger than the traditional target customer

Profits improve 5% to £12m despite lack of consumer confidence

FIRST LEISURE reported a 4.6 per cent increase in interim pre-tax profits to £12.2m but said it had not yet detected any recovery in consumer confidence, writes Andrew Bolger.

Turnover for the six months to May 2 increased by 13 per cent to £52m and operating profits by 14.6 per cent to £14m.

However, a higher tax rate meant that earnings per share fell slightly to 5.74p (5.88p).

Lord Rayne, chairman, said: "During this period of continuing economic stress, trading patterns have been volatile, with no consistent trends discernible.

"The gains which have been made tend to reflect the group's own efforts, rather than any recovery in consumer confidence."

The sports division experienced a more difficult first half and the small improvement in trading profits, from £7.2m to £7.6m, was entirely due to the first-time contribution from two new Super Bowls at Bristol and Plymouth.

The dancing division maintained the progress achieved during the second half of last year, increasing trading profits from £6.1m to £7.5m. That was mainly due to the successful refurbishment and relaunch of six discotheques and the opening of a large new discotheque in Liverpool.

The resorts division improved trading profits from £1.4m to £1.7m, with trading ahead of last year during the Easter period. Blackpool Tower, following the final phase of its £10m redevelopment, had traded strongly since reopening for Easter.

The interim dividend is increased by 6.4 per cent to 2p (1.88p).

C&W promises year of action

By Andrew Adonis

CABLE AND Wireless, the UK telecommunications group, has been in the shade lately.

While BT, its UK rival, launched glamorous bids for global mastery in alliance with the MCI, the second largest US carrier, C&W's high points have been a domestic deal with Bell Canada Enterprises and the possibility of a joint venture to build 1m phone lines in the Philippines.

The BCE deal – under which BCE took a 20 per cent stake in Mercury and C&W a 12 per cent in BCE's UK-based cable TV company – gives C&W scope to diversify beyond straight telecommunications, but hardly amounts to a grand strategy.

However, launching the annual results yesterday, Lord Young, C&W's chairman, promised plenty of action for the year ahead.

C&W is nowhere near BT's cash flow league. But with operating profits of £771m on turnover of £3.8bn in the year to March 31, gearing down to 13.2 per cent (25.9 per cent) and analysts projecting pre-tax profits in excess of £1bn in the current year, the company can raise its sights.

In the immediate future, all eyes are on the imminent launch in the UK of Mercury One-2-One, the UK PCN mobile service of which C&W is joint owner with US West. So far C&W has spent about £150m on One-2-One. Initially it will be available only within the M25 area, but it hopes to capture market share by under-cutting the large margins of existing cellular operators.

The competition, however, is not idle. Last week Vodafone, the largest cellular operator, cut its London tariff by 25 per cent, and announced the launch in October of a micro-cellular service to compete with PCN in the south-east. Much depends on the price sensitivity of the mobile market, and on the speed with which One-2-One rolls out its network beyond the M25. Mr Ross said C&W would make "whatever investment was necessary" to ensure rapid progress.

Growth in the UK market also hinges on the success of so-called "easy access" – dialling 132 from any phone to access the Mercury network – in attracting new custom from BT. By the end of October easy access will be available to those on digital exchanges in 25 cities and towns nationwide.

Abroad, however, C&W's plans appear less focused. The company has "hubs" in the Caribbean and Asia-Pacific (through a 57 per cent stake in Hongkong Telecom), plus operations in the US, central and eastern Europe and a business networks division providing internationally-managed data services.

Lord Young said he talked "almost every day" to potential allies like AT&T and Sprint, but that a link-up was "possible not probable." Instead, he emphasised the avenues opening up in China, which now accounts for 44 per cent of Hongkong Telecom's international traffic.

"Sooner or later the Chinese will have to change their policy of ruling out foreign equity stakes to achieve their ambitious growth plans," he said.

If they do, C&W is waiting across the border.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Cable & Wireless	fin	10.1	Oct 1	9	14.85	13.25
First Leisure	int	2	Oct 29	1.88	-	6.14
Harris (Philip)	fin	4.65	Aug 2	4.25	6.85†	6.25
Hazlewood	fin	4.1	Oct 4	3.9	6.4	6.1
Kalamazoo	fin	1.85	Sept 14	0.875	2.1	1.4‡
LPA Inds §	int	1.65	Aug 4	1.65	-	3.52
Soundtracs §	int	0.92	Sept 28	0.85	-	2.2
Tams (John) §	fin	2.41	Aug 20	2.41	4†	4
Vega	fin	1.86	Aug 27	-	2.73	-
Whitecroft	fin	nil	-	0.7	nil	4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For eight months.

IBC's package of proposals to remove the banks' control

By Paul Taylor

INTERNATIONAL BUSINESS Communications (Holdings), the conference and newsletter publishing group, yesterday announced a package of proposals including a £20m placing and open offer.

The proposals are designed to cut group debt by three quarters, remove the banks' controlling interest, and enable it to resume dividend payments.

Shares in the company, which yesterday forecast an operating profit of £3.5m (£3.28m) and a pre-tax profit of not less than £750,000 (£572,000) in the six months to June 30, jumped by 3½p to 12p after the announcement.

Mr Peter Rigby, chairman and chief executive, said the proposals would "normalise" the group, which is currently controlled by a group of seven banks which hold 62.9 per cent of the equity.

The centrepiece of the proposals is the planned placing and open offer of 22.3m shares at 90p through Williams de Broe.

Qualifying shareholders will be offered 11 offer shares for every 75 existing shares. Subject to subscriptions under the open offer, up to 74.3 per cent of the shares have already been firmly placed with institutional investors.

The group also plans a 1-for-10 share consolidation, mainly to facilitate the placing and open offer.

The bulk of the £18m net proceeds from the placing and open offer will be used to reduce the group's debt which is made up of £55m in bank term loans and £27m of debenture stock. The bank loans comprise an £18.3m interest bearing loan and £36.7m of non-interest bearing loans.

Under the terms of a conditional agreement with the banks to reduce and simplify the structure of the debt, the non-interest bearing loans will be cancelled, the interest-bearing loan will be reduced by £2.8m and the debenture stock will mostly be redeemed early at a discount.

Overall the measures will reduce borrowings by about £86.5m to £15.5m and will cut the banks' shareholding to about 19.6 per cent.

The group expects to pay a final dividend of not less than 2p for the current year.

● COMMENT

IBC's package of proposals makes a lot of sense and, as Mr Rigby suggests, should provide "a sound base for growth in profits and shareholder value." For their part the banks have probably already written off the bulk of the non-interest bearing loans and deeply discounted debenture stock. The company will end up with a single interest-bearing loan it can afford to service and shareholders, including the banks, will see dividend payments again. Meanwhile the group's 28 managers, who have invested £2m of their own money over the past few years should, should provide the impetus for the group to move forward again.

Court Cavendish flotation values health group at £51m

By Catherine Milton

COURT Cavendish, the nursing home company, has priced its new issue at 225p a share, valuing the group at £51m. It plans to use the money raised to repay £24.6m debt and to finance expansion.

Currently the fifth largest nursing home operator in the UK, Court Cavendish aims to grow at 500 beds a year for the next three to five years, spending between £10m and £12m a year. The company has a new secured bank facility to borrow £20m.

UBS is placing 20.2m shares, 90 per cent of the total, 7.1m of which are subject to clawback.

Existing shareholders are selling 2.56m shares, with 17.7m new shares being issued.

The company's estimate of pro forma pre-tax profits for the year to end April of £2.26m and earnings per share of 14.8p put the shares are on an historic p/e of 15.2 at the issue price. A notional net dividend of 3.6p for 1992-93 gives a yield of 2 per cent at the offer price.

● COMMENT

Court Cavendish aims to differentiate itself in this competitive market. Private and part-private clients fill 60 per cent of beds – more than competitors – and a mix of residential with traditional nursing homes gives it flexibility. The company's strategy of buying filled homes rather than building new ones makes sense in today's property market. But it could mean less efficient homes with higher costs. The immediate problem is uncertainty created by recent changes to government funding rules. These should favour corporate investors in the end, while social and political trends make nursing homes a growth sector. The company says it has the finance for its goal of 3,000 beds within about three years. It hopes that by 1996 there will be a US-style lease-back market in nursing home assets to pay for further growth. On forecast profits of £4.2m for the current year the prospective p/e of 14 at the issue price looks cheap. Given the sector is on 15.5 and Westminster Health Care, a larger and recently floated competitor, is on 16, the issue should go well.

Metrotect placing set at 108p

By Peter Pearse

METROTECT Industries announced that the price of its flotation by way of a placing was to be 108p per share, valuing the pipeline protection products maker at £26m.

The shares are being placed on a pro forma p/e of 15. The yield is 4 per cent, on a notional net dividend for the year to March 31 of 5.51p, which would be covered 1.7 times by pro forma earnings per share of 5.51p.

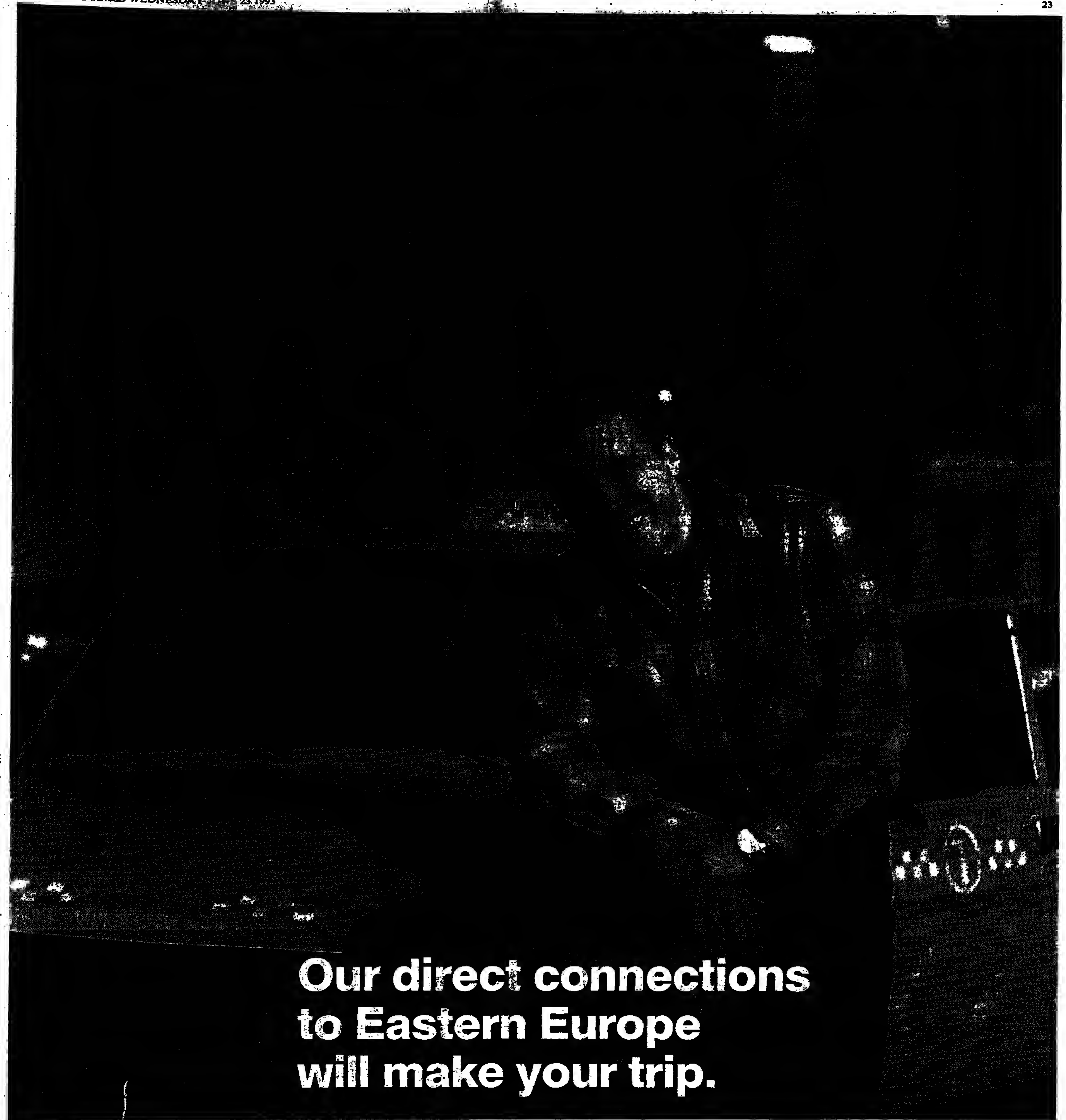
The flotation involves a placing of 13.9m shares, representing 57.6 per cent of the enlarged share capital. As a result of marketing by Panmure Gordon, the sponsor, the shares are being placed with about 130 institutions.

Some 7.64m shares are being sold by existing shareholders. This includes the management, which has sold one third of its collective stake and is left with 20 per cent, and 3i and NatWest Ventures, the institutions which backed the management in its buy-out from BPB Industries in April 1990. They have sold half their stakes and are also left with 20 per cent. The shares sold will raise about £8.25m of the £15m raised.

The remaining 6.25m placed shares are new and will repay debt, redeem the preference shares and A ordinary shares, and provide about £1m to fund working capital requirements.

● COMMENT

If the price looks high, Metrotect's growth should bring the p/e down. With such a wide placing, there is likely to be a flurry of activity after the flotation, before the normal core of 10-15 institutions emerges. On prospects, the company is keeping its cards close to its chest: analysts are expecting pre-tax profits for the year to March 1994 to be 15-20 per cent higher than 1992-93's £2.28m, itself a surge up from £679,000 previously. Metrotect is expanding its market share in an expanding pipeline market and will prosper as long as its market does as well. Keep an eye on its trading statements.



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Underlying growth as period of consolidation draws to a close

Hazlewood improves to £55m

By Maggie Urry

PROFITS at Hazlewood Foods advanced from £51.3m to £55m pre-tax in the year to March 31 despite a number of adverse influences.

The group said that underlying growth in the base business, excluding acquisitions and one-off factors, was 5 per cent.

Mr Peter Barr, chairman, said the period of consolidation, where its numerous operations have been rationalised and integrated, was now coming to an end.

The next stage was to improve efficiencies and reduce costs, to maintain and eventually increase margins.

Hazlewood, which operates mainly in the UK and the Netherlands, saw strong growth from its convenience foods activities.

The period covered 53 weeks, the extra week worth £1.3m to profits.

There was a £2.7m benefit from sterling devaluation offset by a £1.4m cost as debtor balances were translated at new rates. Recovery in the cockle business, hit the previous year by fishing restrictions, added back £2.6m to profits. Acquisitions, such as a full year contribution from Sutherland, which was included for 7 months the previous year, chipped in £2.9m.

However, a botulism scare at a meat subsidiary cost £1m and sharp falls in tomato and capsicum prices cut £2.7m from profits.

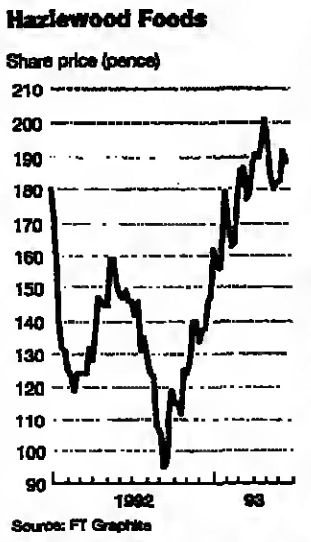
A more conservative depreciation policy added £1m to the charge and interest payable rose £2.9m to £11.8m.

Group turnover was 20.5 per cent higher at £761.8m and operating profits were up 11 per cent to £66.8m.

Mr John Simons, finance director, said that margins were maintained if the effect of a full year's inclusion of the lower margin distribution activities of Sutherland were taken into account.

Earnings per share rose 8.1 per cent to 17.75p. A proposed 4.1p final dividend makes a 6.4p total, a 4.9 per cent improvement on last year's 6.1p.

In the grocery and non foods division profits rose from £15.5m to £15.8m. In the frozen foods division profits were up



from £24.1m to £27.1m, helped by the recovery in the cockle business and growth in ready meals. In fresh foods profits were up from £19.1m to £22m as convenience foods more than doubled its contribution, offsetting declines in meat and produce.

A high level of capital expenditure, at £48.2m, and spending on acquisitions totalling £20.9m, including £9.7m of integration costs, led to a rise in net debt from £109.7m to £157.2m, increasing gearing from 69 to 95 per cent. Since the year end the group has sold its Dutch confectionery business for £14.2m.

● **COMMENT**

Hazlewood is slowly translating its promises into action and at least the profits are moving up again, if not yet back to the £57.1m made in 1990. Conditions for food manufacturers have been tough, and if anything Hazlewood has been somewhat protected by having a third of its customers in continental Europe. That might not be such good news as mainland Europe goes further into recession. But it is pressing on with its plan to grow the higher added-value activities and allow the less exciting areas to become a smaller part of the whole. Gearing is a concern, but capital expenditure will fall this year. 1993-94 profits might top £60m, putting the shares, down 7p to 189p yesterday, on a prospective p/e of about 10, which is not taking too much on trust.

Zeneca £1.3bn rights taken up by 86%

By Maggie Urry

ZENECA'S £1.3bn rights issue was taken up by 86.15 per cent of its shareholders and the balance of the issue was placed yesterday at 612p, 12p above the rights issue price.

Shares in Zeneca, the bioscience group demerged from Imperial Chemical Industries at the beginning of this month, rose on the news, closing at 626p, up 8p.

SG Warburg and BZW, the securities houses which organised the placing, took a 0.2 per cent fee for the placing, equivalent to 1.224p per share.

Investors who did not take up their rights will therefore receive 10.776p per share.

The deal is the largest underwritten rights issue to have succeeded in the UK market, with no shares being left for the underwriters to take up.

Sir Denys Henderson, chairman of Zeneca, said he was "delighted" by the take-up of the issue.

Mr John Mayo, finance director, said: "We achieved all the objectives we set ourselves".

Neither Mr Mayo nor Zeneca's brokers would say how many shares were sold by the international marketing syndicate set up to find demand from outside Zeneca's existing shareholder base.

Market sources suggest this operation did not find significant new demand for Zeneca.

Mr Mayo said that, "the syndicate sold shares in all the major time zones; Europe, the US and Japan".

However, he added that against a background of uncertainty in the US over healthcare reforms, "while there was demand, it might not have been at the level seen two years ago".

Withdrawal losses leave Whitecroft £42m in red

By Ian Hamilton Fazey, Northern Correspondent

WHITECROFT, the Cheshire-based mini-conglomerate, reported deepening losses of £41.8m pre-tax for the year ended March 31, against a previous £3.65m, restated in accordance with FRS 3.

Turnover was £125m (£149m), a drop of 16 per cent. However, there was a trading profit of £2.64m on sales of £108m in the group's four remaining core activities. Losses were from property and the discontinued home improvements operations.

Losses per share increased to 94.5p (9.6p). The new chairman, chief executive and finance director – all of whom have taken office since the departure of Mr Peter Goold as chairman in March – are not recommending a dividend.

Whitecroft, which expanded quickly in the latter half of the 1980s on the back of the property boom, has been restructuring and struggling to get out of the sector since the recession began.

The bulk of losses follow the hiring of Hillier Parker as property consultants and a consequent savage additional write-down of values. The results show a £29.3m loss on disposal of the home improvement businesses and a net £11.4m of property write-downs. These total more than the £38.1m of losses before interest payments, supporting the claim yesterday of Mr Mike Derbyshire, the new chief executive, that Whitecroft's four core businesses were now profitable and should see it back to health.

The four core businesses are now industrial, commercial and street lighting; building products, mainly high-specification fire doors; medical cotton fibre, where Edward Hall, a subsidiary is European market leader; and textiles, where the group specialises in bleaching, dyeing and coatings.

Mr Derbyshire said a string of small to medium-sized office developments, were now realistically priced in the books at £14.4m, compared with £25m last year. Sales brought in £3.7m during the year.

He said future sales would represent a financial gain to the group and one was nearing completion. The group, now down to 18 operating centres against 30 last year, has put its Wilmslow headquarters up for letting and will relocate to more modest offices.

During the year the group shed another 10 per cent of jobs and now employs 1,860 people. Gearing is 150 per cent, with borrowings of £35m (£36.4m). Mr Derbyshire said borrowings were falling with property sales and had peaked at £43m at Christmas.

Defence and NHS business help Vega advance to £1.7m

By Daniel Green

VEGA GROUP, a satellite software specialist, lifted pre-tax profits from £1.39m to £1.72m in its first full year as a quoted company, hoosted hy diversification into Health Service and Department of the Environment contracts.

Defence business also grew. Satellites are "areas of the Ministry of Defence which are unaffected by the general military spending cuts," said Mr John Rigg, chairman, yesterday.

Turnover for the 12 months to April 30 expanded 29 per cent from £6.27m to £8.1m and earnings per share rose from 6.69p to 7.99p.

The final dividend is 1.86p making a total for the year of 2.73p.

There was an extraordinary item of £227,000 to cover the costs of the flotation.

Cash flow continued to be positive and net assets rose from £1.12m to £2m.

The number of employees has grown from 125 in May 1992 to more than 150, with about 80 per cent in fee earning posts.

"Vega is very well positioned to continue its strong growth. The company has contracts to provide support services to most European space projects", said Mr Rigg.

"Many of these contracts extend over a number of years and provide a stable financial base from which we can continue to develop new business."

The company is looking for acquisitions in the software sector, he said. These might inclnde one or both of two other companies chaired hy Mr Rigg, a former chartered accountant with Arthur Andersen: Triad Special Systems and Shreeveport.

He added that an alternative was the flotation of Triad, which is set to make a pre-tax profit of £900,000 on sales of £5.5m this year.

Vega Group was floated in June 1992 via a placing at 122p. Yesterday the shares rose 5p to 132p.

Carpetright favours the smaller investor

By Maggie Urry

CARPETRIGHT has favoured smaller investors in deciding the basis of allocation for its flotation, which was 2.6 times subscribed.

Trading in the shares starts today.

The issue was priced at 148p a share valning the carpet retailing group headed by Sir Phil Harris at £113.6m.

The offer for sale of 13.7m shares attracted 14,229 applications for a total of 35.81m shares.

Another 25.45m shares were placed with institutions.

Applications for 250 to 3,000 shares will be met in full; those applying for 4,000 to 5,000 will receive 3,000; hetween 6,000 and 7,000: 3,500; between 8,000 and 80,000: 4,000.

Applicants for between 90,000 and 990,000 shares will get 5 per cent of the amount they asked for and those for over 1m shares will receive 2.5 per cent.

The level of subscription was described as "not overwhelming" hut since many of the shares on offer were being sold hy existing investors this suggested that the pricing reflected a balance between sellers and buyers.

MFI Furniture Group sold its 20 per cent stake raising £21.5m.

Crabtree rises to 204p in first day of dealing

By Chris Tighe

SHARES OF Crabtree Gronp, the Gateshead-hased metal decorating printing press producer, closed at 204p yesterday, the first day of dealing since the reversal into Somerset Trust.

Dealings in Somerset, which acquired Crabtree for £19.4m, were suspended at 178p on May 4.

Mr Karl Watkin, chairman, welcomed yesterday's ontcome. "I'd rather see a stable share price, gradually increasing, than a flash in the pan," he said.

He was also pleased at the rise in value of his own 12.7 per cent holding, from £2.8m to £3.8m.

Aboot 1m of the 11.25m fully paid shares changed hands in the first three honrs of dealing. Some 2m of the 3.6m nil paid rights were also sold.

Mr Nick Donaldsoo, a corporate finance director with Credit Lyonnais Laiog, whose placing of 6.6m shares at 150p had been oversuhscribed, said the rise was "healthy" and very much as expected.

● Mnltitrust sold its entire holding of 100,000 Crahtree ordinary and 300,000 rights over the nil-paid for a total of £352,000, a profit of £297,000 over cost.

NEWS DIGEST

Delaney loss grows to £2.5m

LOSSES AT Delaney Gronp, the fitted hedroom retailer, accelerated from £474,000 to £2.45m over the year to end-December.

Earlier this year the group sold its furniture activities and saw its shop-fitting division go into receivership. Navertheless, turnover improved from £21.8m to £23.9m.

There were exceptional provisions of £185,000 (nil) and extraordinary charges of £2.77m (£131,000). Losses per share worked through at 4.7p (0.6p).

At the year-end net asset value stood at £1m (£7.1m).

Tha directors said current demand for its products "was much improved and showed signs of continuing in the same manner."

ICV acquires SE's Market-Eye service

ICV, a specialist collector and distrihutor of real-time data services, is acquiring Market-Eye, the Stock Exchange's real-time datacast price information service, from August 1.

Mr David Taylor, managing director of ICV, which has been managing the service for six months, said Market-Eye would complement its new Topic3 product range to he launched in September.

Soundtracs improves 43% to £251,000

Soundtracs, the USM-qnoted electronic audio equipment maker, announced a 43 per cent rise in pre-tax profits to £251,000 for the six months to April 30. Last time the company made £175,000.

Turnover improved to £2.56m (£1.72m) with its first acquisition, Spendor Audio Systems, purchased in January, contrihuting sales of £314,000 and operating profits of £21,000.

Mr Todd Wells, chairman, said the production prohlems seen in Scotland last year had been resolved. He added that Soundtracs continued to pursue acquisition opportunities which would meet the "same stringent criteria achieved with Spendor".

Earnings per share emerged at 1.67p (1.17p) and the interim dividend is lifted to 0.92p (0.85p).

Fine china helps John Tams to £1.7m

Strong performance from its bone china side helped John Tams, one of the UK's largest tahleware manufacturers, turn in pre-tax profits 4.5 per cent ahead at £1.71m on turnover up from £19.8m to £22.9m.

The loss-making Royal Grafton Bone China company acquired in March last year is now profitable, with the bone china division contrihuting 37.5 per cent of group turnover.

A same again final dividend of 2.41p is recommended, giving a total maintained at 4p. Earnings per share were little changed at 4.94p (4.92p).

The company's shares trade on the USM.

Tepnel Diagnostics losses at £507,000

In its first six months since flotation, Tepnel Diagnostics, the USM-quoted biotechnology company, incurred pre-tax losses of £507,000 compared with £144,000.

Sir David Trippier, chairman, said that progress had been seen in product development, achieved within hudgeted costs.

For the half year to March 31 there were operating losses of £660,000, which comprised administrative expenses of £328,000 (£32,000) and research and development costs of £332,000 (£112,000).

Losses per share amounted to 2.21p. There is no dividend.

LPA declines to £18,000

Profits at LPA Industries, the USM-quoted industrial electrical connectors and accessories group, fell from £310,000 to £18,000 pre-tax for the half year ended March 31.

Turnover declined to £2.55m (£3.18m). The interim dividend is maintained at 1.65p, uncovered by earnings of 0.2p (3.41p) per share.

Although sales showed a reduction of 19.6 per cent and pre-tax profit was only slightly hetter than hreak even the directors confidently expected an improvement in those earnings ratios hy the year-end.

They pointed out that a cessation of certain contracts during the second half of last year was a main factor in the reduction in interim sales.

The current forward order book stands at £2.65m, against less than £1m this time last year. However, some 70 per cent of these orders are not due for execution until 1994.

First Spanish repurchase offer

First Spanish Investment Trust is to invite holders of its 1.5p per unit convertible unsecured loan stock 1997 to tender for its repurchase hy the company.

The price will be equal to 95 per cent of the net asset value attrihutable to each unit of convertible loan stock, to be determined as at the closing date, July 7.

Applied Holographs deficit deepens

Losses at Applied Holographics, the USM-quoted maker of hot stamping foils and embossed holograms, rose from £1.62m to £2.26m pre-tax over the year to eod-March.

Directors said the second half was adversely affected by recession and delays in expected order intake.

The deficit took account of exceptional provisions of £811,464. Losses per share emerged at 11.2p (9.1p). Turnover was little changed at £4.96m (£4.89m).

Water suppliers show increase

Two water supply companies controlled hy Lyonnaise des Eaux Dumez have announced their results for the year to March 31.

Essex Water made a pre-tax profit of £18.9m, compared with £18.2m, on turnover ahead from £61.7m to £66.5m. Earnings per share came to 222p (202p). The final dividend is 38.6p for a total of 74.5p (34.3p final only).

Suffolk Water lifted pre-tax profit from £4.2m to £4.6m as turnover climhed from £14.5m to £16.4m. Earnings per share were 92p (79p) and a final dividend of 23.8p hrings the total to 47.5p (21.5p final only).

Ascot restructuring conditions satisfied

Ascot Holdings, the renamed Control Securities, has satisfied all the conditions of its £292m financial restructuring, which included £148m of bank debt and £90m of Swiss franc honds. The proposals have therefore become effective.

The group aims to publish its accounts for the year to March 31 by July 30. Dealings in the shares, suspended since April last year, are expected to resume the day after the accounts are puhlished.

Mr Sydney Rohin, who has chaired the group since Mr Nazmu Virani stepped down in April last year, and steered it through the refinancing, has become a non-executive deputy chairman. Mr Howard Dyer has joined the board as chairman and chief executive.

Pension refund helps reduce deficit at NSM

By Roland Rudd

NSM, the heavily-indebted international coal mining group, reported a reduced pre-tax loss of £1.95m for the year ended March 31. There were losses of £5.73m last time.

The deficit was reduced after a £1.6m exceptional credit in the form of a refund received from the group pension scheme and a fall in the net interest charge from £11.2m to £9.3m.

After a series of small disposals, borrowings fell from £84m to £94m against shareholders' funds of £56m.

Mr John Jermine, chief executive, said further sales by the end of the year should generate another £10m, while the disposal of exhausted coal sites and the air condition and distribution business could fetch about £20m by the end of 1995.

An extraordinary charge of £7.88m (£89.2m) included £5.2m (£87.4m) in respect of purchased goodwill on businesses sold. Mr Jermine said he was confident there would be no more exceptional or extraordinary items having taken all the write-offs needed.

Operating profit fell from £8.99m to £5.74m on reduced sales of £114m (£147m).

The group was adversely affected by the decline in US operating profits to $2.1m (£1.4m) compared with $7.3m, reflecting continuing low levels of market demand and the failure of a new piece of production equipment at one of the company's deep mines.

Operating profits from the UK sector fell from £5.2m to £4.5m against the background of uncertainty created by the government's coal review.

Mr Jermine attacked the government's coal privatisation plans as "unworkable" and said NSM would not be making a bid for any of the four pits offered to the private sector.

He welcomed the government's intention to abolish the "arbitrary and punitive limit of 250,000 tonnes for private licences" but called for its immediate implementation instead of waiting for the industry to be privatised.

There is no final dividend. Losses per share were 13.1p (earnings of 11p).

Kalamazoo in black and resumes acquisition search

By Paul Cheeseright, Midlands Correspondent

KALAMAZOO, the compnter services and printed systems grnnp, retnrned to profit ln its second half and has resnmed its search for acquisitlnns, concentratlng nn the European compnter services market.

Pre-tax profits amounted to £1.8m in the year to March 31, nn turnover of £56.7m, after a loss of £86,000 at halfway.

The group has changed its year-end, so there is no strictly comparable period, but in the eight months to March 1992 it made pre-tax profits of £611,000 nn turnover of £38.5m.

The total dividend is maintained at 2.1p net per share with a final distribntion of 1.85p.

Earnings per share, however, were pnshed down by abnormally high tax charges, coming out at 1.6p.

Mr Peter Harrop, chairman, was relaxed abont dipping into reserves to pay the dividend, nnting that the group now had no borrowings and that the order book was picking up.

In the last financial year, all the profits came from the compnter services division, while the printed systems business undertook a painful readjustment tn redncad markets.

This meant the loss of 100 ont of 480 jobs and led tn exceptional costs for the period of £1.53m.

There were also extraordinary debits amounting to £863,000 which related largely to the write-off of loan notes received as part of a US acquisition which was subsequently resold.

During the year, Kalamazoo made two acquisitions for the computer services business.

Since the year end it has acquired a Dutch company, specialising in motor dealer computerisation, the group's core sector.

Now, said Mr Harrop, the group is looking for companies to buy in France and Germany, observing that, with the UK economy starting to recover and with the continental economies declining, "we are in the right place at the right time".

Combined ACT/BIS group will have annual sales over £250m

Aiming for Midas' touch in software

By Alan Cane

THE RUBBER plants outside the offices of Mr Roger Graham, chairman and chief executive of BIS Group, have a weary air.

They bely the resilience of one of the UK's oldest computing services companies, newly acquired by ACT, the Birmingham based computer group, for £93.5m. Together they will form an international company with annual sales of more than £250m and a range of financial software packages that few can equal.

Since 1987, BIS has prospered only fitfully under the benevolent but somewhat detached management of Nynex Corporation of the US.

Last year it returned to the black, reporting an operating profit of £8.7m after a £1m loss in 1991, the first in its history.

Its acquisition by ACT should signal a renaissance for BIS and for indigenously owned computing services companies in the UK.

ACT and BIS together will offer a range of financial software packages that few, if any, computing services companies can equal and with little overlap between them.

The list includes Midas, BIS's venerable but well regarded modular banking systems, and Bankmaster, a banking system developed by one of ACT's more recent acquisitions, the Irish software company Kindle. Midas is a product for mature markets; Bankmaster suited to the financial systems of emerging nations.

Founded in 1964 as a market research and training business, BIS quickly diversified into computer consultancy. It is best known, however, for the Midas package, which it has developed over the years into the most successful piece of packaged applications software ever developed by a UK company.

BIS Banking Systems now has more than 500 banking clients in 70 countries and employs more than 600 people. Although Midas is over 20 years old, it has gone through repeated facelifts to keep it up to date and was sold to 45 new clients last year alone.

Mr Roger Foster, ACT chairman, said yesterday that he was committed to supporting and developing Midas for well into the next century.

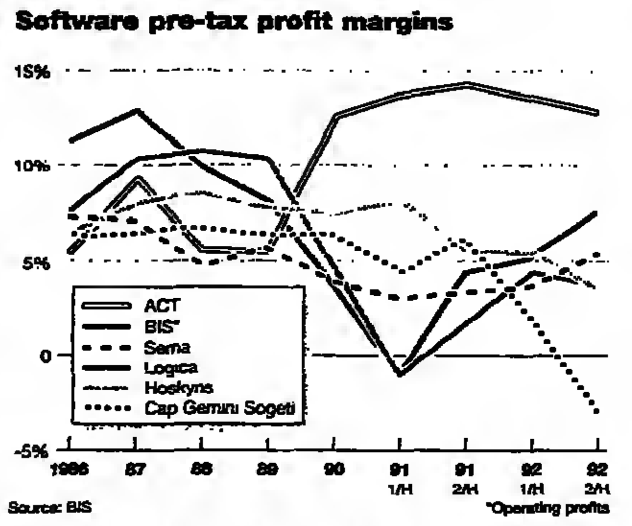
Nynex, one of the US "Baby Bells", bought BIS for £75m at a time when it was fashionable for telecommunications companies to spread their interests through the acquisition of computing companies. More recently Nynex has decided to concentrate on its core business worldwide and on its substantial investments in cable in the UK. Mr Graham said that Nynex had been a good parent but: "now we need a long-term shareholder prepared to make substantial investments".

The search for a new partner had been going on for about a year. Lazards, Nynex's merchant bankers, made the introduction to ACT; Nynex was attracted by the fact that the Birmingham company was prepared to do the deal quickly and the final papers were signed just before 8am yesterday.

ACT – which made profits before tax of £20.5m on sales of £153m last year – is another of the UK's long established computing services companies.

A flirtation with computer hardware ended with the sale of its workstation business to Mitsubishi Electric in 1990, since when it has concentrated on developing its principal divisions: ACT Financial Services, ACT Logsys, dealing with computing services for government departments and utilities, ACT Medisys, dealing with medical systems, ACT Computer Support, the maintenance arm, ACT Cablestream, concerned with networking, and ACT Kindle.

It has grown rapidly, especially in financial services.



Roger Foster, committed to developing Midas package

Aegis pays £3.62m compensation to former directors

By Gary Mead, Marketing Correspondent

THREE FORMER directors of Aegis, the media-buying and planning group, received total compensation of £3.62m for their loss of jobs a year ago.

The two biggest beneficiaries were Mr Charles Scott, former chairman, who received £2.25m and Mr David Reich, who got £1m. Mr Charles Stern, former finance director, received £370,000.

Accounts for the 1992 year showed that directors' emoluments ballooned, reaching £2.3m against £1.64m, largely a result of pay increases but also because of boardroom upheavals which saw Mr Scott ousted in June 1992.

As a result of his departure the board swelled to 15 for part of 1992. It is now back down to 12, half of those being non-executive positions.

The wages bill also mushroomed in 1992, totalling £68.3m (£49.1m).

● Companies within the Aegis group have notched up two significant account wins in the last week. On Monday BBJ UK won Premier Brands. Last week HMS Carat, Aegis' operating company in Germany, captured Volkswagen's German media-buying account. The VAG group – of which Volkswagen is a part – spent DM160m (£64m) on advertising in Germany in 1992. Aegis could receive $3m (£2.6m) in gross revenues.

Silentnight founder fails to cut dividend

By Ian Hamilton Fazey, Northern Correspondent

MR TOM Clarke, founder and former chairman of Silentnight Holdings, the beds group, yesterday unsuccessfully tried to persuade shareholders to cut the company's dividend from 5.75p to 5.25p at the annual meeting. He argued that not enough profit was being retained for development.

Mr Clarke also opposed the board over its search for three non-executive directors to help comply with Cadbury recommendations on corporate governance. He claimed this would push directors' annual salaries and fees over £1m, compared with about £600,000 at present.

Both criticisms were heavily supported by a show of hands among more than 100 mainly small, private shareholders.

However, both failed on card votes because trustees acting for 51 per cent of the shares – all owned by Mr Clarke and his family – supported the board, arguing management should be either backed or sacked.

Mr Clarke said inflation had been 24 per cent over the last four years, while Silentnight's turnover had risen only 21 per cent in the same period. Pre-tax profits had risen 8 per cent and profits attributable to shareholders 13 per cent. Dividends, however, had risen by 16 per cent and retained earnings by only 11 per cent.

Mr Bill Davies, executive chairman, said a good second half of last year had made up for a poor first half. Dividends were being maintained at last year's total of 8p.

He said Silentnight had been ahead of 1992 in every month since Christmas. Directors' earnings were lower in Mr Clarke's time because the business and the board were smaller. With £14m cash in the bank, he was not worried about having enough in reserve.

Buoyant sales to NHS help Philip Harris to top £2m

By Catherine Milton

PHILIP HARRIS Holdings, the pharmaceutical and scientific equipment supplier, reported pre-tax profits up almost 15 per cent, from £1.76m to £2.02m, in the year ended March 31, helped by buoyant sales to the National Health Service.

Following three acquisitions, gearing at the year-end stood at 65 per cent (28 per cent) and interest charges rose to £570,000 (£484,000). The figures, however, excluded the £5m proceeds of March's rights issue which were received after the year-end, reducing bank borrowings to about £1m and gearing to about 10 per cent.

Turnover rose to £85.3m (£79.1m) with the medical division contributing £62.8m (£51.3m) to sales and £1.41m (£1m) to operating profit. Results included contributions from the nine retail pharmacies acquired in June 1992.

Sales to the NHS continued at a "buoyant level" with the wholesale business benefiting from the Folidays acquisition in February 1992.

While political pressure over the NHS drugs bill had affected margins and stability, directors said that "the natural growth in healthcare and in particular the increasing age profile of the population indicates that in the medium term this market should grow".

The education and science division felt the effects of recession and changes in the UK education system. Sales fell to £22.5m (£27.8m) and operating profits to £1.18m (£1.24m) following a centralisation programme.

A final dividend of 4.65p gives a total of 6.85p (6.25p). Earnings were 16.47p (14.58p).

LEGAL NOTICES

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W Lister Limited
(Company No. 511913)
C H Gillam & Sons Limited
(Company No. 2327636)
Principal Place of Business:
Oswin Avenue, Balby, Doncaster

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the Quaker Meeting House, St James Street, Sheffield, S1 2EW, on 1 July 1993 at 11.00am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if: a) they have delivered to us at the address shown below, by no later than noon on 30 June 1993, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Dated: 16 June 1993

Signed: O J Stokes and O J Waterhouse
Joint Administrative Receivers, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

PERSONAL

COMMODITIES AND AGRICULTURE

Canadian diamond find 'world class'

By Bernard Simon in Toronto

AUSTRALIA'S BHP Minerals and its Canadian partner, Dia-Met Minerals, have moved one step closer to building North America's first diamond mine in the Lac de Gras area of the Northwest Territories.

The two companies said that they planned to erect a pilot recovery plant in the area early next year to analyse a bulk sample of between 5,000 and 10,000 tonnes of ore. Depending on the results, these tests would be followed by a full feasibility study for a mine. Lac de Gras is just below the Arctic Circle, about 320 km (200 miles) north-east of Yellowknife, the territories' capital.

The decision to go ahead with such a large sampling programme is based on the results of drilling last winter which appear to confirm a sizeable diamond deposit. Analysts at Pacific International Securities in Vancouver said yesterday that the grade of ore recovered from one of four kimberlite pipes at Lac de Gras "puts it into the league of world-class diamond pipes".

Despite such enthusiasm, Dia-Met's shares tumbled by C$8 to C$57 in early trading on the Toronto stock exchange yesterday. The share price had tripled in the past year in anticipation of positive results from Lac de Gras.

According to BHP and Dia-Met, a total of 206 carats were recovered from just over 400 tonnes of ore extracted from the four pipes. The results include only stones with a diameter of more than half a millimetre.

The companies said that they had found several gem diamonds in the one to three carat range.

The proportion of gem diamonds ranged from a low of 6 per cent in pipe number two to 31 per cent in pipe four and 33 per cent in pipe three.

Pipe four contains a grade of 17.5 gem carats per 100 tonnes. Pacific International estimates that this is nearly double the grade indicated by a sample recovered from the nearby Point Lake property in late 1991 which set off the diamond stampede in the Northwest Territories.

Meanwhile, the Canadian government has announced changes in income tax rules to encourage diamond exploration. Developers of diamond mines will in future be entitled to accelerated depreciation of capital costs, while exploration companies will be able to finance their work by means of "flow-through" shares which offer substantial tax benefits to investors.

Environmentalists win in BC mine battle

By Bernard Simon

BOWING TO strong pressure from North American environmentalists, the British Columbia government has barred further development of the Windy Craggy copper and gold deposit in the scenic north-west corner of the province.

The area, in the watershed of the Tatshenshini River 60 km east of the Alaska panhandle, will be set aside for an 8.5m hectare wilderness park, straddling the US-Canada border.

The government said yesterday that it will "fairly" compensate Geddes Resources, which has so far spent C$50m on exploration and development, and holders of other mineral claims in the area.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	+8,400	to 1,877,325
Copper	-5,750	to 456,125
Lead	-50	to 298,925
Nickel	-2,130	to 88,362
Zinc	+2,950	to 880,625
Tin	-95	to 20,105

Windy Craggy, widely thought to contain North America's richest undeveloped copper reserves, has become a focal point of the clash between resource industries and environmentalists. Development of the site, which is estimated to contain about 2.7m tonnes of copper, has been stalled for four years by environmental disputes.

The chief executives of five Vancouver-based mining companies warned last week that a decision to turn the area into park land would have a negative impact on investor confidence in the province. Besides the rich metal content of the deposit, the mining industry has pointed to the job-creation potential of a new mine.

Environmentalists on the other hand, have argued that a mine would do incalculable damage to rivers and wildlife in one of the most pristine parts of the continent. The Clinton administration has suggested creating a protected wildlife area straddling BC and Alaska.

Royal Oak Mines of Vancouver this year bought a 39 per cent stake in Geddes, reasoning that its C$10m (£5.3m) investment would be more than covered by compensation if the project was blocked.

Central Americans to discuss coffee cartel

By Bill Hinchberger in Sao Paulo

A PROPOSED coffee producers' cartel is the main item on the agenda of a meeting of Central American officials today and tomorrow in Managua, Nicaragua. Producer countries have been debating the idea ever since the collapse earlier this year of talks aimed at revitalising the International Coffee Agreement between producers and consumers.

The concept of a producers' association to regulate stocks and try to boost international prices is supported by Brazil, the world's leading coffee exporter, responsible for about 30 per cent of total exports. It also has the backing of the other big Latin American and African producers, says Mr Cilson Ximenes, director of the national coffee department of the Brazilian ministry of industry and commerce.

Brazil has decided not to attend today's gathering. Instead, Mr Jose Andrade Eduardo Vieira, industry and commerce minister, will attend a meeting of Latin American producers in early July, also to be held in a Central American country, possibly Costa Rica.

Mr Ximenes says it would be premature to outline details of how the proposed association would try to control stocks. However, the Brazilian private sector is defending a sliding scale scheme under which producers would automatically withhold more coffee as prices dropped.

Under the scheme, all producer countries would withhold 25 per cent of output when the international price hit 60 US cents a lb. The amount retained would gradually decrease as the price increased to 80 cents a lb, when controls would be lifted. At present the price is hovering just above the 60 cents-a-lb mark.

Mr Ximenes says he does not "discard" the Brazilian private sector proposal.

Given the present low prices, most countries are already reducing exports, according to Mr Manoel Vicente Fernandes Bertone, president of the National Coffee Council, a private Brazilian producers association.

"All countries have reached the maximum limit of exhaustion," he says, adding that only Vietnam, Indonesia and India have maintained previous levels of production.

Brazil, for instance, shipped just 4.6m bags (60 kg each) during the first five months of this year, compared with 7.6m bags in the corresponding period of 1992. May shipments were stalled by a strike of federal tax inspectors, but exports had been down in each of the first four months.

Tanzania says Dutch to halt cotton industry finance

THE NETHERLANDS, which has financed Tanzania's cotton industry over the past 11 years, will stop funding next month, an official of the Tanzania Cotton Marketing Board said, reports Reuter from Dar es Salaam.

"They are pulling out. They have not been too happy with us," said TCMB economist Mr Ali Ngungolu.

Under the Dutch Cotton Assistance Programme, the Netherlands pumped US$100m into Tanzania's cotton industry in the form of equipment and spare parts for ginneries, trucks, a new ginnery, technical assistance and training.

Marketing board officials say the Dutch wanted rapid liberalisation of the cotton sector, including the removal of price controls and privatisation of the state-run marketing body.

"We agreed with the concept, but it had to be gradual," Mr Ngongolo said.

Agriculture ministry officials said that new proposals to liberalise cotton trading might be rushed through parliament in the current debate on the budget. These included new legislation to allow the private sector into the ginning business and individual investors to be allowed to buy and export cotton.

In 11 years of Dutch assistance, the capacity of the country's 58 ginneries has soared from 200,000 bales. Some 462,000 bales were ginned in the 1991-92 season in the Lake Victoria cotton belt, marketing board officials said.

Fox goes back to the future

By David Blackwell

THE LONDON Futures and Options Exchange is celebrating its return to the black by killing off the much ridiculed acronym of London Fox with which it has been saddled for the last six years.

Next week Mr Robin Woodhead, Fox chief executive, will announce "a small surplus" after five years of operating losses. "We have been successful at turning the unpleasant loss-making tide," says Mr Woodhead, who took up his post in October last year.

The exchange will revert to being called the London Commodity Exchange from July 1. But there will be no £30,000 daytime firework display to herald the name change, as there was in June 1987.

Then the exchange was using US-style razzamatazz in a bid to attract attention and win business away from the booming US exchanges. Ironically, one of the main reasons the name is being changed again is that few people in the US know what London Fox is.

Mr Woodhead and Mr Michael Jenkins, chairman of Fox and former chief executive of the London International Financial Futures Exchange, are determined to leave Fox's unhappy history behind. The exchange, which has had to close several contracts including raw sugar, last year made a loss of £891,000 on revenue of £10m, mainly because of exceptional costs of nearly £1m following the debacle over its property futures contract in September 1991.

First steps towards setting the exchange on a new course have included cutting staff to 83 from 120 and operating costs to £6.3m from £10m two years ago. Mr Woodhead says the exchange now needs to trade 9,600 lots a day to cover costs, compared with nearly 21,000 in 1991-92 and the present average of about 11,500.

In the longer term the exchange aims to concentrate on its core contracts of cocoa, coffee and white sugar, plus their traded options. Mr Woodhead says it will work to improve its image and to make sure its trading practices are impeccable.

A review of the contracts that came with the take-over of the Baltic Futures Exchange – including grain and freight rate futures – will be discussed by the board in August.

The exchange is keen to attract more of the $25bn trade controlled by managed futures funds. "The US funds have primarily been interested in the US markets – but many are looking to diversify internationally," says Mr Jenkins.

Market may struggle to digest Peru's mining giant

Sally Bowen reports on the problems of scale and complexity surrounding the sale of Centromin

CHASE MANHATTAN, in conjunction with Coopers and Lybrand, took on earlier this month probably the most challenging of all Peru's coming privatisations. Together, they are promoting the sale of Centromin, Peru's state-owned mining and refining giant.

Given the complexity of the task – Centromin consists of seven separate mines and a huge metallurgical complex with annual sales topping $400m – the sale strategy is to "listen to the market". While the Peruvian government would prefer to dispose of the giant as a single unit, it may prove impossible to find one buyer, or even one consortium, ready to take it on.

A detailed information memorandum was available from the co-promoters as from last week. Over a hundred mining companies have been contacted worldwide and requested to fill in a questionnaire detailing their particular interest. Pre-qualification of potential purchasers will commence in late July and it is hoped the sale will be completed by December.

All Centromin's properties are in the high central Andes. Six of the mines – Andaychagua, Casapalca, Cerro de Pasco, Morococha, San Cristobal and Yauricocha – are polymetallic, while Cobriza is exclusively a copper deposit. Each mine has its own concentrator plant; Cerro has two.

Centromin produces 40 per cent of all Peru's zinc, and more than half of it comes from the Cerro de Pasco mine – the "jewel in the crown", which mining experts agree is the most attractive single property. Cerro is also responsible for around 25 per cent of Peru's annual lead output and some 8 per cent of its silver.

The metallurgical complex of La Oroya, 3,700 metres above sea level, was built by the US-owned Cerro de Pasco Corporation in the second decade of the century. The copper smelter was inaugurated in 1922, followed by a lead smelter and, in 1952, a zinc plant. The smelters process concentrates both from Centromin's own mines and from other privately-owned companies in the northern and central Andes.

Close by the smelters are the Huaymanta refineries which produce copper cathodes and wire bars, refined lead and refined zinc. In all, Centromin produces five principal metals and seventeen by-products such as sulphuric acid, arsenic, copper and zinc sulphates and antimony.

Although the company could be split into individual production units, the fear is that no buyers will emerge for the less attractive mines. Cobriza, for example, is very isolated and projected output has never been reached. Casapalca is tired and run-down, while Morococha never recovered from a 1989 attack by Maoist Shining Path guerrillas that devastated its infrastructure. Only Andaychagua and Cerro de Pasco have immediately obvious potential.

It will be a bold buyer who will take on the entire operation. Aside from the seven mines hundreds of kilometres apart, Centromin operates four hydro-electric plants (with a combined capacity of 183 Mw), 212 km (130 miles) of railroad, eight hospitals and 75 primary and secondary schools. Camps provide housing for a total of 100,000.

"It's too big and complex an animal, and its environmental liabilities are too great to sell as one whole," says one international mining expert. He puts the value of the company as "anywhere between $300m and $500m", the value of assets and mineral in the ground heavily being discounted in view of the "necessary clearing-up operations". Peru's mines ministry appears, however, to recognise the environmental cost element and the government is studying possible use of debt paper to facilitate the sale.

A less daunting prospect for the mining investor is state-owned Tintaya, also rapidly being prepared for sale. It is one of Peru's highest-grade copper deposits, located some 250 km south-east of Cuzco, 4,100 metres above sea level on the high Andean plateau.

Last year, Tintaya's output of copper concentrates topped 157,000 tonnes, making it Peru's third largest copper mine after Southern Peru's Cuajone and Toquepala. Operations at Tintaya commenced in 1985, with development costs estimated at $330m.

Tintaya's principal drawback is that its sulphide ores reserves, now down to 13m tonnes, will run out in three to four years. So the purchaser will have to start exploitation of as yet untouched nearby deposits – the main three have more than 56m tonnes of proven reserves between them, with a copper content of more than 2 per cent. Studies suggest development costs could be in the region of $85m.

Still to be determined is whether the "Bambas" deposits – part of the same copper belt as Tintaya but some 150 km away – will be included in the Tintaya privatisation or held over for a later, separate sale. Together they have some 40m tonnes of copper-bearing ore.

Mr Francisco Fernandez, head of Tintaya's privatisation committee, believes that the existing Tintaya installations – including a modern, largely Canadian-equipped concentrator plant, which has the benefit of good water and energy supply – could form the nucleus of a future metallurgical complex, perhaps concentrating on ecologically-sound leaching operations.

"In all these sales," he says, "the prime consideration is new investment rather than cash down. The state simply doesn't have the resources to develop these promising deposits."

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,550-1,610 (1,550-1,620).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.44-0.50.

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 12.60-13.60 (13.40-14.00); 99.3 per cent, $ per lb, in warehouse, 9.40-10.40 (10.40-11.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-135 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.25-2.30 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market. standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 27-39 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.35-1.40 (1.30-1.40).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.10 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

A general wave of long liquidation brought base metals prices down from earlier highs at the London Metal Exchange yesterday. Three months **COPPER** rebounded from well-signposted resistance at $1,900 as another rise in exchange warehouse stocks was announced, and ended $7 down at $1,878 a tonne. **ALUMINIUM'S** retreat gathered pace after support at $1,200 for three months metal was breached and final business was at $1,187 a tonne, down $18.50 on the day. **NICKEL** stocks registered another substantial fall, the fourth in succession, but that did not prevent the three months price surrendering most of Monday's advance. And the **ZINC** market lost most of the modest gains that had been encouraged by Monday's news of a European producer plan for co-ordinated output cuts. At the London bullion market precious metals continued Monday's drift. Dealers blamed **GOLD'S** failure to attract sufficient speculative interest for its $1.35 fall to $368.15 a troy ounce. But they did not expect a significant retreat to ensue. London **COFFEE** and **COCOA** futures prices ended the day higher in relatively quiet trading.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$15.27-5.30z	-0.105
Brent Blend (dated)	$17.16-7.19	-0.025
Brent Blend (Aug)	$17.52-7.55	-0.025
W T I (1 pm est)	$16.93-8.96z	-0.035
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$200-202	
Gas Oil	$163-164	-1
Heavy Fuel Oil	$58-60	
Naphtha	$172-174	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.15	-1.35
Silver (per troy oz)♣	427.5c	-2.0
Platinum (per troy oz)	$374.65	-3.60
Palladium (per troy oz)	$127.25	-0.75
Copper (US Producer)	89.0	
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	13.07r	+0.14
Tin (New York)	237.5c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	140.15p	-2.17*
Sheep (live weight)†♠	113.91p	+4.85*
Pigs (live weight)†	86.97p	+1.15*
London daily sugar (raw)	$259.4	-8.4
London daily sugar (white)	$273.0	-3.8
Tate and Lyle export price	£285.5	-7.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£168.5t	
Wheat (US Dark Northern)	£141.0t	
Rubber (Jul)♥	58.50p	
Rubber (Aug)♥	58.75p	
Rubber (KL RSS No 1 Jul)	207.0m	-0.5
Coconut oil (Philippines)§	$432.5v	+5.0
Palm Oil (Malaysian)§	$362.5y	-2.5
Copra (Philippines)§	$287.0	+7.0
Soyabeans (US)	£187.5u	+3.5
Cotton "A" Index	57.85c	-0.2
Wooltops (64s Super)	348p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Sep. z-Aug. v-Jul/Aug. u-Jul. t-Jun. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices. * change from a week ago, provisional prices

SUGAR – London FOX ($ per tonne)			
White	Close	Previous	High/Low
Aug	276.00	273.50	279.00 276.00
Oct	272.50	267.10	273.10 268.00
Dec	272.50	267.30	272.50 272.50
Mar	272.00	267.50	272.10 269.50

White 948 (1285) Paris- White (FFr per tonne): Aug 1587.16 Oct 1567.70

CRUDE OIL – IPE ($/barrel)			
	Latest	Previous	High/Low
Aug	17.53	17.50	17.60 17.43
Sep	17.73	17.70	17.79 17.66
Oct	17.94	17.92	18.02 17.85
Nov	18.04	18.08	18.04
Dec	18.17		18.18 18.17
Jan	18.26		18.26
IPE Index	17.58	17.52	17.58

Turnover 13519 (21982)

GAS OIL – IPE ($/tonne)			
	Close	Previous	High/Low
Jul	162.50	163.25	162.75 162.25
Aug	164.50	165.50	164.75 164.25
Sep	166.50	167.50	167.00 166.50
Oct	170.00	171.25	170.50 170.00
Nov	172.50	173.25	172.50 172.00
Dec	175.00	176.00	175.00 174.75
Jan	176.25	177.25	176.25 176.00

Turnover 7674 (7852) lots of 100 tonnes

JUTE

C and F Dundee BTC $315, BWC $325, BTD $295, BWD $300. C and F Antwerp: BTC $305, BWC $305, BTD $280, BWD $280.

COTTON

Liverpool- spot and shipment sales amounted to 38 tonnes for the week ended 18 June against 22 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the Middle Eastern Range.

COCOA – London FOX (£/tonne)			
	Close	Previous	High/Low
Jul	733	717	736 708
Sep	729	725	739 718
Dec	734	730	741 722
Mar	745	741	751 734
May	756	754	764 747
Jul	770	766	765 758
Sep	782	780	788 772
Dec	803	788	810 788
Mar	824	819	830 816
May	840	833	847 840

Turnover: 46458 (9724) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jun 21 732.94 (724.73) 10 day average for Jun 22 694.62 (688.90)

COFFEE – London FOX ($/tonne)			
	Close	Previous	High/Low
Jul	907	899	907 900
Sep	927	917	928 915
Nov	933	921	932 923
Jan	932	922	930 924
Mar	936		931

Turnover: 5024 (1764) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jun 21 Comp. daily 54.85 (55.69) 15 day average 54.36 (54.41)

POTATOES – London FOX (£/tonne)			
	Close	Previous	High/Low
Apr	81.3	85.5	85.0 81.5
May	88.5		81.0

Turnover 100 (178) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)			
	Close	Previous	High/Low
Oct	156.00	152.00	158.00
Dec	158.50	154.00	166.50

Turnover 20 (20) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)			
	Close	Previous	High/Low
Jun	1482	1480	1494 1490
Jul	1365	1370	1375 1364
Aug	1350	1365	1360 1350
Oct	1415	1425	1425 1415
Nov	1435		1435
Jan	1440	1461	1440
BFI	1512	1518	1512

Turnover 160 (317)

GRAINS – London FOX (£/tonne)			
Wheat	Close	Previous	High/Low
Jun	133.75	133.75	135.00
Nov	108.40	108.25	108.25
Jan	111.40	111.30	111.40
Barley	Close	Previous	High/Low
Nov	107.50	107.50	107.40

Turnover: Wheat 26 (53), Barley 1 (9). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg			
	Close	Previous	High/Low
Sep	104.2		104.0

Turnover 5 (2) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 42,145 lots
Cash	1187.5-8.5	1184.5-5.5		1178-9		
3 months	1191.5-2.0	1206-8	1205/1185	1202-2.5	1187-8	200,563 lots
Copper, Grade A (£ per tonne)						Total daily turnover 42,175 lots
Cash	1266-7	1259-60	1269/1266	1267.5-8.0		
3 months	1278-9	1273-3.5	1283/1278	1278-8.5	1280.5-1.0	218,689 lots
Lead (£ per tonne)						Total daily turnover 2,520 lots
Cash	269-9.5	264-5		266-6.5		
3 months	278.75-9.0	273.5-4.5	279/275	275.5-6.0	278.5-9.0	20,686 lots
Nickel ($ per tonne)						Total daily turnover 7,075 lots
Cash	5560-70	5590-5600	5630/5627	5627-30		
3 months	5625-30	5655-60	5700/5620	5692-5	5610-20	50,299 lots
Tin ($ per tonne)						Total daily turnover 2,644 lots
Cash	5135-40	5128-38		5130-5		
3 months	5190-5	5185-90	5200/5160	5180-5	5170-80	6,819 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 13,320 lots
Cash	932-4	942-3	936	936-6.5		
3 months	950-2	960-1	960/945	954-5	947-8	69,696 lots

LME Closing £/$ rate: SPOT: 1.4783 3 months: 1.4691 6 months: 1.4620 9 months: 1.4556

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	368.00-368.50	
Opening	369.25-369.65	
Morning fix	369.10	247.969
Afternoon fix	368.60	248.100
Day's high	369.40-369.80	
Day's low	367.90-368.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.38	6 months	2.45
2 months	2.38	12 months	2.51
3 months	2.40		

Silver fix	p/troy oz	US cts equiv
Spot	288.55	428.65
3 months	292.00	432.95
6 months	296.50	438.40
12 months	304.35	444.25

GOLD COINS	$ price	£ equivalent
Krugerrand	369.00-372.00	247.00-250.00
Maple leaf	378.25-380.65	
New Sovereign	87.00-90.00	58.00-61.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1170	86	65	30	38
1200	22	43	44	48
1225	15	33	60	63
Copper (Grade A)	Calls		Puts	
1800	107	131	26	50
1850	78	102	44	71
1900	51	78	60	96
Coffee	Sep	Nov	Sep	Nov
850	88	100	11	23
900	54	74	27	41
950	29	50	52	67
Cocoa	Sep	Dec	Sep	Dec
700	44	63	15	29
725	29	48	25	40
750	16	39	40	56
Brent Crude	Aug	Dec	Aug	Dec
1800	6	69	57	-
1850	1	-	-	-
1900		17	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	368.6	370.0	369.1	367.4
Aug	369.7	371.1	378.6	368.0
Oct	371.8	372.9	372.0	370.0
Dec	373.1	374.5	373.8	371.6
Feb	374.7	376.1	375.3	373.1
Apr	376.3	377.7	376.5	375.2
Jun	377.9	379.3	0	0
Aug	379.6	381.0	380.3	380.3

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	376.0	378.6	378.0	374.5
Oct	375.4	377.6	377.1	374.5
Jan	376.5	378.1	377.0	376.0
Apr	378.6	378.6	378.0	378.6

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	425.8	428.1	0	0
Jul	426.0	428.5	423.0	424.5
Aug	427.6	430.1	429.0	427.0
Sep	429.1	431.7	432.0	426.0
Dec	433.8	436.4	437.0	432.5
Jan	434.4	437.0	0	0
Mar	438.3	440.9	441.0	437.5
May	441.7	444.3	443.0	443.0
Jul	444.8	447.4	0	0
Sep	448.2	450.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	83.45	84.20	83.65	83.40
Jul	83.65	84.40	84.00	83.50
Aug	83.95	84.65	0	0
Sep	84.25	84.30	85.25	84.10
Oct	84.40	86.00	84.80	84.76
Nov	85.00	85.15	85.00	85.00
Dec	84.50	58.30	85.00	84.70
Jan	84.95	86.40	85.90	86.20
Feb	85.15	85.55	85.40	85.40
Mar	85.40	86.70	86.00	86.50

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	18.51	18.62	18.67	18.45
Aug	18.90	18.91	19.06	18.84
Sep	19.16	19.16	19.30	19.13
Oct	19.41	19.38	19.48	19.35
Nov	19.49	19.50	19.54	19.45
Dec	19.60	19.60	19.65	19.57
Jan	19.76	19.67	19.76	19.65
Feb	19.60	19.72	19.75	19.69
Mar	19.73	19.75	19.78	19.73
Apr	19.81	19.77	19.80	19.80

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jul	52.10	51.95	52.35	51.80
Aug	52.80	52.67	53.05	52.50
Sep	53.85	53.74	54.00	53.60
Oct	54.95	54.84	55.10	54.75
Nov	56.00	55.94	56.15	55.90
Dec	57.05	56.94	57.20	56.90
Jan	57.60	57.54	57.75	57.40
Feb	57.60	57.41	57.65	57.40
Mar	56.34	56.34	0	0
Apr	55.30	55.14	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	915	904	928	910
Sep	937	933	952	928
Dec	964	962	977	957
Mar	993	992	1005	985
May	1018	1015	1020	1015
Jul	1038	1037	0	0
Sep	1062	1061	1066	1057
Dec	1093	1092	1093	1077
Mar	1118	1117	1112	1100
May	1143	1142	1142	1126

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	61.65	60.30	61.00	60.60
Sep	63.35	62.35	63.60	62.40
Dec	66.10	65.05	66.25	65.30
Mar	68.40	67.10	68.25	68.25
May	70.00	68.75	0	0
Jul	71.80	70.40	72.25	72.25
Sep	73.25	72.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	9.81	9.87	9.00	9.67
Oct	10.23	10.09	10.81	10.07
Mar	10.10	10.01	10.18	9.99
May	10.06	9.98	10.15	10.00
Jul	6.95	9.85	10.00	9.84
Oct	9.77	9.70	9.80	9.75

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	58.77	58.20	58.99	58.25
Oct	57.65	57.50	57.85	57.40
Dec	57.18	56.60	57.30	56.78
Mar	58.06	57.60	58.30	57.82
May	58.63	58.48	58.65	58.06
Jul	59.24	58.25	59.45	59.20
Oct	59.60	59.65	0	0
Dec	60.00	60.05	60.40	60.30

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	120.70	116.20	121.00	115.40
Sep	123.60	118.50	123.50	116.00
Nov	126.18	121.18	126.15	121.65
Jan	127.80	122.80	127.80	123.50
Mar	128.80	123.80	128.80	124.00
May	129.95	124.95	126.00	126.00
Jul	129.95	124.95	126.00	126.00
Sep	129.95	124.35	0	0
Nov	129.95	124.95	0	0

INDICES				
REUTERS (Base:September 18 1931 = 100)				
	Jun.22	Jun.21	mnth ago	yr ago
	1662.7	1074.3	1670.5	1552.8
DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun.21	Jun.18	mnth ago	yr ago
Spot	120.29	121.04	n/a	119.61
Futures	120.49	120.85	n/a	119.78

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	815/4	620/4	619/6	614/0
Aug	818/2	621/2	623/0	816/4
Sep	620/2	622/2	624/4	617/0
Nov	621/4	622/4	625/4	616/0
Jan	626/2	626/4	629/4	621/4
Mar	630/6	632/6	633/0	626/4
May	633/0	633/2	635/4	628/4
Jul	634/0	634/0	636/0	630/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	22.03	22.12	22.15	21.82
Aug	22.16	22.33	22.28	21.99
Sep	22.29	22.41	22.45	22.15
Oct	22.40	22.55	22.50	22.30
Dec	22.67	22.74	22.84	22.50
Jan	22.78	22.85	22.60	22.65
Mar	22.96	23.07	23.10	22.88
May	23.13	23.30	23.25	23.00

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	194.3	195.0	195.0	193.5
Aug	194.2	194.8	195.0	193.5
Sep	194.3	195.2	195.5	193.8
Oct	194.5	195.3	195.2	194.2
Dec	195.8	196.6	197.0	195.5
Jan	195.8	197.1	197.0	195.5
Mar	196.1	197.1	197.5	196.0
May	197.2	190.2	197.5	196.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	218/4	218/0	219/2	215/6
Sep	225/0	224/2	226/0	222/4
Dec	233/6	233/0	235/2	231/2
Mar	241/0	240/4	242/4	239/0
May	246/4	246/0	247/2	244/0
Jul	250/2	250/0	250/6	248/0
Sep	245/4	246/2	246/2	245/4
Dec	245/4	245/6	246/0	244/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	283/2	280/0	285/0	278/0
Sep	289/2	288/4	290/4	284/4
Dec	301/2	298/2	302/4	296/6
Mar	307/2	306/0	308/4	304/0
May	308/4	307/0	309/0	307/0
Jul	306/4	306/6	307/4	305/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	75.350	76.400	76.300	75.250
Aug	73.425	74.450	74.375	73.300
Oct	73.775	74.675	74.600	73.700
Dec	74.175	75.225	75.300	74.100
Feb	74.150	74.925	74.850	74.100
Apr	75.300	75.900	75.800	75.200
Jun	72.125	72.850	72.850	72.100

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	52.550	52.775	52.800	52.425
Jul	48.175	48.700	49.050	48.100
Aug	45.625	46.125	46.450	45.600
Oct	40.400	40.775	40.850	40.225
Dec	40.625	41.150	41.350	40.525
Feb	41.000	41.300	41.800	41.000
Apr	40.400	40.550	40.700	40.400
Jun	45.800	46.150	46.650	45.800

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	33.900	34.650	35.200	33.800
Aug	33.125	33.875	34.250	33.000
Feb	39.800	39.950	40.400	39.600
Mar	39.325	39.225	39.500	39.325
May	41.000	41.000	0	0
Jul	40.400	40.400	0	0

LONDON STOCK EXCHANGE

Early gains melt away by the close

By Terry Byland, UK Stock Market Editor

AN EARLY attempt by UK equities to push on towards the all-time peaks reached in March soon faded away yesterday behind a less aggressive stock index futures sector. Base rate hopes were reined in by a cautious comment on German rate prospects from the deputy president of the Bundesbank, and a calmer dollar took the bounce out of the international blue chips.

After being nearly 14 points ahead in the first hour of trading, the FT-SE 100 Index relinquished almost all of the rise later in the session. Shares in Rothmans, the South African based tobacco group, rose sharply in late dealings, giving a final boost to the FT-SE 100, which closed 4.2 up at 2,907.6. The index is now 49.7 points, or 1.7 per cent, beneath its March peak.

The more cautious tone across the range of the market was reflected in the first fall in the FT-SE Mid 250 Index for several sessions; at 3,217.9, the Mid 250 was finally 0.6 off, having lost an earlier gain of nearly 7 points.

Restraining share prices towards the close were the prospects for the impending auction of UK government bonds, details of which came late in the session.

London paid little heed, however, to a downward drift in the Dow during early dealings on Wall Street, which was 13 points off when the UK market closed for the day.

London traders remained hopeful that German interest rates may be cut soon, thus opening the way for Mr Kenneth Clarke, the UK chancellor of the exchequer, to deliver what is expected to be the final reduction in UK rates in this cycle. But hopes of a move by the Bundesbank this week were damped down by yesterday's comments from the deputy president of the German central bank.

On the domestic front, there was little immediate response to UK gross domestic product figures for the first quarter of the year, while a modest widening of the current account deficit was read as strengthening the arguments for a base rate cut.

The market was in good heart in the first half of the session, with Zeneca shares triumphant on the news that the £1.3bn rights issue, which formed the cornerstone of its demerger from ICI, had found 86 per cent acceptances; the remainder was sold in the market at a comfortable premium to the rights price, providing a further boost to underlying investment confidence.

The premium on the September futures contract on the FT-SE 100 Index remained solid but was half that of the previous day, and there was no repetition of the arbitraging deals which lifted the blue chips on Monday.

Helped by good trade in Zeneca, Seaq volume edged up to 588.1m shares from Monday's 570.4m which came to £1.05bn in retail business worth. Non-Footsie shares made up around 60 per cent of yesterday's total turnover, in line with daily averages this year. The persistently good levels of retail business have been seen as perhaps a more reliable indicator of market confidence than the erratic path traced by the Footsie since the beginning of the year.

Store and consumer issues showed mild disappointment with the lack of encouragement for base rate optimism but losses were small. There was little doing in the leading oil shares.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FT-SE Actuaries Share Indices

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2907.6 +4.2	3217.9 -0.6	1433.01 +1.52

Account Dealing Dates

*First Dealings:		
Jun 7	Jun 21	Jul 5
Option Declarations:		
Jun 17	Jul 1	Jul 15
Last Dealings:		
Jun 18	Jul 2	Jul 16
Account Day:		
Jun 28	Jul 12	Jul 26

*New time dealings may take place from 8.30am two business days earlier.

Hourly movements

FT-SE Actuaries 350 Industry Baskets

Rothmans plan surprises

THE MARKET was enlivened minutes before the close by an announcement from tobacco group Rothmans International which sent the company's shares racing forward in hectic trading.

Rothmans is in talks with Richemont Securities and Dunhill Holdings about a reorganisation of assets to create two new quoted groups to focus separately on tobacco and luxury goods.

The announcement took dealers by surprise. Rothmans shares forged ahead 55 to 720p in frantic trading which caused a backwardation - a brief period when the bid and offer price are temporarily reversed - in the process.

Volume in the tightly held stock jumped to 2.2m with more business done after the official close.

US bank hits Glaxo

Goldman Sachs, the leading US investment bank, was the driving force behind the underperformance of Glaxo, after the broking firm's pharmaceuticals team reduced its current-year profits estimate for the drugs group.

The broker said the downgrade was partly because of the recent decline in the performance of the dollar, but declined to give any further details.

Goldman's team also lowered its forecast for following years, resulting in a cut in its five-year average earnings per share growth rate forecast from 13 per cent to 11 per cent.

For the current year to June, Goldman pared its profits forecast from £1.705bn to £1.65bn, giving earnings per share of 39.1p against a previous forecast of 40.4p. Goldman expects the dividend to be increased by 15 per cent to 19.5p.

Goldman said it maintained its stance on Glaxo, expecting market performance during the next six months but underperformance over the longer term. Glaxo closed 10¼ lower at 587½p following good turnover of 2.7m shares.

Zeneca rights

There was no surprise among marketmakers at the relative success of Zeneca's £1.3bn rights issue; marketmakers had been confident of a substantial take-up of the rights issue. In the event, it was disclosed yesterday that shareholders had taken up 86.15 per cent of the issue.

The brokers to the issue, S.G. Warburg and BZW, were said to have easily placed the "rump" of the issue, 13.85 per cent or around 26m shares, at a price of 612p.

Zeneca shares made good progress following the success of the issue, closing a net 8 higher at 626p, after reaching 629p at one point. Turnover was a heavy 9.6m shares.

C and W peak

The market demonstrated approval of much better than expected results from Cable and Wireless, accompanied by a proposed one-for-one scrip issue, by marking the shares up to an all-time high of 780p.

The stock eased marginally late in the session, closing a net 23 higher at 777p. Turnover was a hefty 3.2m shares. Marketmakers said C and W had benefited from sustained switching into the shares from BT, which held at 432p.

C and W's pre-tax profits came in at £824m, well above the most optimistic analysts' estimates, which were around the £800m mark. The 12 per cent increase in the dividend was in line with expectations.

The results, plus some encouraging remarks by the company at the post-figures meeting with institutions and analysts, led to a series of profits upgrades by telecoms specialists. Current year forecasts were being shifted above the £1bn mark.

Mr Jim Ross, telecoms analyst at Hoare Govett said he was looking for profits of £1.05bn in the current year and pinpointed two significantly favourable points in the results. He highlighted excellent cash flow numbers and noted evidence of the economic upturn in the UK in Mercury's sharply improved performance. "The level of new line orders at Mercury is twice that of a year ago," he said.

Royal Insurance came in for strong support in a generally firm composite insurance sector, with Robert Fleming Securities and Credit Lyonnais Laing said to have been keen supporters of the shares, which closed 6 up at 295p.

Bank of Scotland extended its recent good showing, the shares settling 4½ higher at 153½p on above-average turnover of 5.5m.

Shares in Spring Ram, the troubled building materials group, came under sustained pressure, sliding 8 to 61p. Talk of a broker's recommendation switch out of RMC and into Redland saw the latter move up 10 to 455p and the former retreat 11 to 750p.

After the fillip of last week's presentations from Guinness and LVMH – the French luxury goods company with whom Guinness has a cross-shareholding – the brewer saw some investors waving goodbye and the shares shed 7 to 478p. This time it was Grand Metropolitan's turn to woo the analysts with upbeat talk which saw the company bullish on its expectations for a growing role in the world vodka market. It also boasted of its performance with Burger King. But heads were not turned completely and GrandMet lost 1 to 425p.

Allied-Lyons added 2 to end at 541p in a volume of 2m after Hoare Govett issued a buy note.

A batch of shares traded below quote price helped push down the level of Campari by 18 to a close of 315p. The sporting clothes company, which recently surprised the market with two profits warnings in as many months, suffered from buyers "anxious to exit the stock" said one analyst.

The confidence of investors and the City had been knocked by the warnings who fear that after two a third could be on the way, added the analyst.

One analyst said that the brewery sector was generally held back by a general lack of enthusiasm and a lack of international opportunity as Europe grapples with a deepening recession. Scottish Newcastle lost 3 to close at 462p and Whitbread "A" eased 2 to finish at 497p.

Allied Textiles had better fortunes, moving ahead 10 to 485p in an otherwise quiet sector.

Reuters jumped 36 more to 1383p after news of the success of its Dealing 2002 forex dealing system. Telerate is the sales and marketing agent for the Minex dealing system, controlled by a consortium of Japanese banks, and has no connection with the EBS system as incorrectly reported here yesterday.

A weak day in the stores sector saw Boots slide 3 to 439p, GUS "A" down 12 to 1717p and Marks and Spencer lose 2 to 338p. Kingfisher bucked the trend to gain 5 at 600p after its announced acquisition of the Unipart chain. But the store and retail sector was generally subdued as hopes for an early cut in UK base rates were returned to the back burner following a somewhat cool comment on interest rate prospects from a senior executive of the Bundesbank.

With rumours of a bid for United Biscuits losing steam, the share price fell back 5¼ to 202½p in moderate volume. While United gave ground, Cadbury-Schweppes, long tipped as the possible bidder, moved up 6 to 408p.

Budgens, the grocery chain, was one of the foods sector's star performers with speculation of a bid from REWE, Germany's largest grocery retailer and holder of a 26 per cent stake in the UK company, taking up the price 4 to 45p. J.Sainsbury mustered an increase of 4 to 489p while seeing active trading on traded options with the equivalent of 2.6m shares dealt.

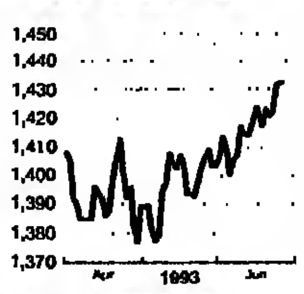
Profit takers moved in on Ratners Group which had rallied on Friday on talk of banking negotiations. With rumours of an announcement by the indebted company on fresh banking facilities still prevalent, the share price fell 3¼ to a 32½p with 6m shares traded.

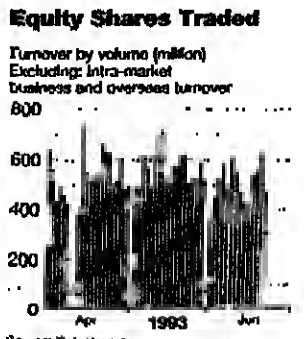
A move into the bingo leisure business by way of the £19.9m acquisition of Nudge Leisure - and a 4.6 per cent rise in first half profits sent the share price quotation of First Leisure up 9 in early trading before it fell back to lose a penny at 364p at close. Thorn EMI, recently bouyed by its decision to sell its lighting division, lost 2 to finish at 918p.

Dunhill Holdings soared 62p to a 405p close albeit in thin trading volume, in a stock which is not usually heavily traded.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christine Buckley.

■ Other statistics, Page 21


FT-A All-Share Index


Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover

Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (186).
BRITISH FUNDS (2) Treas. 8pc '13, Treas. 2pc IL '94, OTHER FIXED INTEREST (4) Hydro Quebec 15pc '11, Irish Cap. 8¾pc '10, Do 9pc '06, Do 13pc '97-02, AMERICANS (6) Ameritech, Chrysler, Eaton, Gen. Elect., Lowe's, Pennzoil, CANADIANS (2) Can. Imperial Bk., Hudson's Bay, BANKS (4) Bk. Scotland, HSBC, ...

OTHER FINCL (3) Edinburgh Fund Mngrs., Ivory & Sime, Smith New Court, OTHER INDLS (1) Cookson, PROP (6) Cardiff, Grainger, Helical Bar, Sheafbank, Slough 6¼pc Pf., Stonehill, STORES (9) Argos, Courts, Dunhill, Etam, Fine Arts, GUS A, Partridge, Stylo, World of Leather, TELE NETWORKS (2) Cable & Wireless, Do 7pc Cv. '08, TEXTS (1) Ingham, TRANSPORT (3) Assoc. Brit. Ports, Brit. Airways 9¾pc Cv., IoM Steam, WATER (2) Cheam, Sth. Staffs., MINES (1) Anglo Pacific.
NEW LOWS (8).
AMERICANS (1) Gen. Host, CONGLOMERATES (1) Mosaic, FOOD MANUF (1) Sims, FOOD RETAILING (1) Low (Wm), HEALTH & HSEHOLD (1) Creighton's, MISC (1) Pittards, STORES (1) Owen & Robinson, TEXTS (2) Campari, Wensum.

FINANCIAL TIMES EQUITY INDICES

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2279.9	2280.0	2278.0	2280.9	2279.7	2282.0	2282.0	2280.1	2276.4	2283.0	2274.8

Volume	June 22	June 21	June 18	June 17	June 16	Year ago
SEAQ Bargains	28,856	30,592	34,637	29,390	28,150	21,079
Equity Turnover(£m)†	-	1048.2	1425.2	1358.5	1389.3	805.1
Equity Bargains†	-	34,562	38,401	35,831	32,177	23,843
Shares traded (mil)†	-	474.2	615.0	555.1	540.4	326.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

LONDON SHARE SERVICE

BRITISH FUNDS

Continued on next page

CROSSWORD

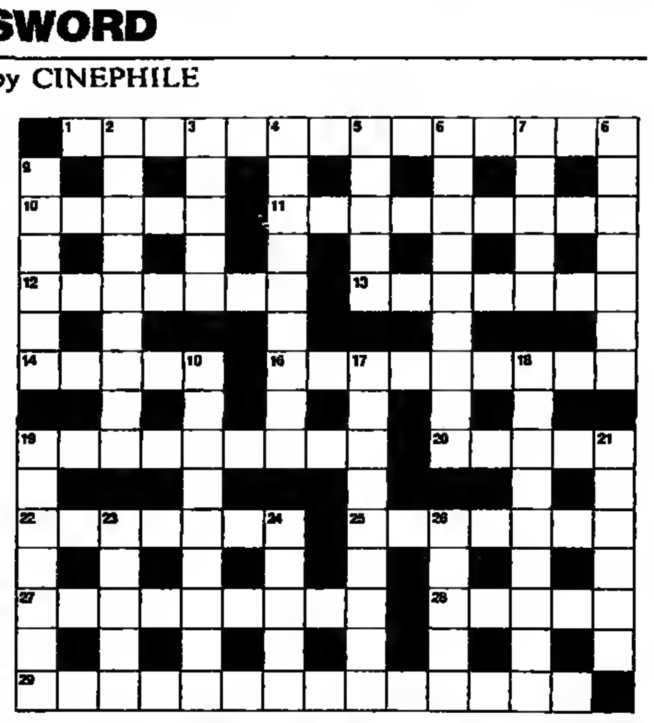
No.8,183 Set by CINEPHILE

ACROSS

1 Exit, for example, the way the coach is going? (5,9)
10 Crowd accumulation, say (5)
11 Island, possibly a rum one, returned outfit (9)
12 Exit north, south and east, possibly, from square (7)
13 Suspend a fellow with a furtive look (7)
14 Make a summary about headgear (5)
16 Policeman's account having furtiveness in large quantities (9)
19 Habitat of Greek poet, almost a heavenly being (4,5)
20 Money has this significance (5)
22 Novelist or critic gets benediction when beheaded (7)
26 Whisky for religious reformer and demographer (7)
27 South American weirdo, hardly cracked (6,3)
28 Provide beast with queen (5)
29 Clothes or furniture with no point (5-5,4)

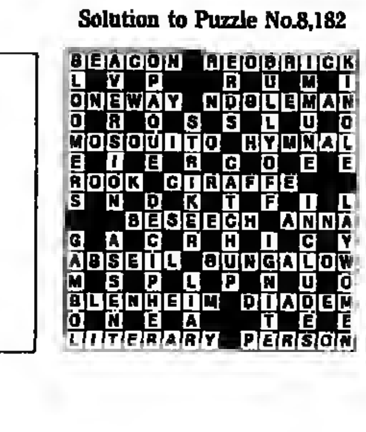
DOWN

2 Artist in tribute, one with a dandelion (9)
3 Diver taking rebels' part (5)
4 Tonic with small container for friar (9)
5 More or less unkind (5)
6 Mountain stone or heap of stones, no less stupid (9)
7 Epic upset some of the dailies (5)
8 Number, for example, in, for example, a bunch (7)
9 Engraver takes one drink after another (6)
15 French capital, I had heard, was fatal to mum or dad (9)
17 What's put in came out full of air (9)
18 Food from Bologna in spring at Jewish quarters, inaccurately (9)
19 Henry I's qualification as a big fish (7)
21 A second is a long time in the Bible – he got nailed (6)
23 Street song in flight (5)
24 Second chapter of the Bible shows spirits .... (5)
26 .... of place for tailless insect (6)



JOTTER PAD

Solution to Puzzle No.8,182



EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures traded in a 21-point range as bouts of profit-taking signalled a pause for breath after the recent advance, writes Joel Kibazo.

Hopes of a base rate cut that have underpinned the recent rise appeared to fade yesterday and the September contract on the FT-SE 100, which opened at 2,941, drifted gently down on sporadic selling.

Lingering hopes of a cut remain, however, and yesterday's economic data was taken to signify a reduction may still be possible.

The day's low was 2,922, reached just ahead of a poor opening on Wall Street. The premium to cash was gently eroded throughout the session.

September finished at 2,920, down 27 from its previous close and just three points ahead of its fair value premium to cash of 11 points. Volume just exceeded 9,000 contracts.

In traded options, heavy dealing in the stock options led to heavy total turnover of 39,122 contracts.

BT saw 6,264 lots traded, with the November 460 calls particularly busy. It was followed by GEC with 3,409 contracts dealt. Kleinwort Benson was the main player in J. Sainsbury options, which were the third most actively traded with a total of 2,625. British Airways and Zeneca were also active. Just over 11,000 lots were dealt in the FT-SE 100 Index option, but a mere 1,974 were traded in the Euro Footsie option.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17xd	—	20	15	14,688	2.5
Allegheny & W	♥	631p	—	631p	399p	327.8	3.0
Amdahl		371p	+8	881p	302¾p	418.6	5.8
Amer Cyanamid		35	—	38	31¼	3,156	3.0
Amer Express		20xd		20	14	9,624	3.2
Amer T & T		41xd		41	33	65,024	2.6
Ameritech		54½		54½	46	23,862	4.3
BankAmerica		29¼xd		32	27	10,198	3.0
Bankers NY		47xd		51	42	3,772	4.2
Bell Atlantic		38½		39	32	16,725	4.4
BellSouth		38½		38	32	17,909	4.8
Bethlehem Steel	♥	12xd		13	10	1,163	–
Bowater		1350pxd	–7	1682p	1253p	491.4	1.9
CPC		27xd		34	26	4,155	3.0
Cadiz Land Inc	♥	163p		169p	53p	–	–
California Engy		1359p	—	1479p	1086p	247.2	–
Chase Manhattan		20½xd	+½	24½	17	3,200	3.7
Chrysler		21xd		31	21	8,114	1.2
Citicorp		18xd		20	13	6,922	–
Colgate-Palm		38¼xd		45	35	6,107	2.0
Cont'l Bank		1533p	+28	1677p	1278p	1,549	2.5
Dana		34xd		35	29	1,686	2.9
Data General		690p	—	951p	593p	173.8	–
Decora Inds	♥	141p	—	146p	109p	–	–
Dun & Brad		39	—	42	37	6,951	4.0
Eaton		62	+2	62	50	2,153	2.2
Echlin		18¼xd		18	15	1,938	2.4

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		201½xd	+½	202	183	2.9	237.3	15.3
Warrants		49½	+½	49½	20	-	-	-
Scot Mortgage		184¼	+½	203	178	2.8	226.0	14.2
Scot National Inc		84	—	85½	83	11.2	-	-
Cap		25	—	20	18	-	70.1	64.3
Stepped Pf		153	+½	155¼	150½	8.0	-	-
Zero Div Pf		211	+½	212	207	-	-	-
Warrants		2¼	—	8	2½	-	-	-
Scot Value		83½	—	83½	71	2.7	62.5	0.9
Sec Alliance		1490	-6	1502	1390	3.1	1612.7	8.8
Second Consld		143	+1	143	86	-	213.2	33.9
Second Market		338	-3	338	256	0.7	352.3	5.1
Sec Tst Scot		83¼	+1	84½	74½	4.9	84.5	2.1
Select Assets		131	+1	131	103½	1.1	175.6	26.2
Eq Inc Serl		135	+1	135	128	3.9	-	-
Eq Inc Serll		135	+1	139	128	3.9	-	-
SHIRES001		130	—	165	104	6.8	128.7	-1.8
Shires		250xd	+1	262	231	6.1	257.1	0.4
11pc Cv Ln '03/04		£127½	—	£131½	£115½	8.6		
Slam Select		126	+1	130	97	1.0	147.9	14.5
Warrants		27	—	38	15	-	-	-
Smaller Cos		125xd	+1	125	78	2.8	117.4	-5.2
Warrants		39	—	39	14	-	-	-
Sphere Inc		23½	+½	23½	14	17.6	85.4	38.2
Zero Div Pf		87½	—	87½	80¼	-	-	-
Summit		62	+1	62	65	2.8	94.1	35.7
TR City of Lon		138½	+1	140¼	126	4.3	133.0	-3.4
TR Euro Growth		107	+1	108	78	1.6	117.5	6.8
Ptg Sub		47	+1	87	27	3.0	-	-
TR Far East Inc		143	+3	143	112	3.8	157.7	-1.7
Warrants		42	+1	42	22	-	-	-
TR High Inc		121	—	121	102	8.2	114.9	-4.9
Sub		29xd	—	31	25	6.5	-	-
TR Pacific		140	+2	150	116	0.3	137.4	-6.3
TR Prop		26¼xd	+½	28¼	17	4.9	32.2	19.3
TR Smaller		177	—	178	146	2.8	186.3	5.0
TR Technology		67	+1	69	47	3.3	207.8	69.0
Units		2200	—	2200	2010	1.7	2593.4	15.2
Stepped Pf		125	—	125½	111½	8.5	-	-
Zero Pf		208	+1	208	200½	-	-	-
Temple Bar		206	+2	318	283	6.4	325.8	7.2

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Barings 8pc Cm 2nd Prf		105½	—	108½	93	11.8	10.5
9¾pc Non-Cum Prf		121	+½	127½	113	45.8	10.4
Close Bros		365	—	370	250	168.2	3.4
Hambros		336xd	+2	358	243	585.2	5.2
7½pc Cv Pf		142½	+½	149½	111½	213.8	6.8
Joseph (L)		368	—	383	315	18.8	5.8
Kleinwort Benson		400	-1	420	312	630.8	4.9
Rea Bros		43	—	47	39	10.8	1.6
Schroders		958	+5	987½	487½	982.8	1.4
NV		825	+12	835	387½	231.0	1.7
Singer & Fried		60	—	70	45	138.8	4.6
Warburg (SG)		735xd	+2	741	529	1,580	3.2
6pc Cv Pf		252	—	254	185	107.2	3.8
Wintrust		240	—	250	188	20.4	5.0

METALS & METAL FORMING

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
ASW		208	+4	233	61	139.8	3.6
Apollo Metals		108xd	—	128	84	12.7	4.6
Ash & Lacy		169	—	170	143	40.1	5.1
Billam (J)		284	+13	300	129	4.28	2.4
Brit Steel		101½	+3	106	54	2,030	1.2
CL		24	-1	28	17	20.8	5.2
Castings		181xd	—	187	158	38.2	3.0
Chamber & Hill		105	—	145	113	9.87	5.8
Cohen (A)		320xd	—	400	320	5.84	2.7
Cook (Wm)		205	—	209	120	44.9	3.1
Cooper (F)		70	—	77	43	24.8	‡
Dewhirst		778	—	85	20½	18.8	0.0
Ferraris		58	—	68	32	8.67	2.2
Firth (GM)		12	—	18½	8	4.05	-
Garton		84	—	56	70	3.58	5.3
Glynwed Intl		307	-1	311	245	822.4	4.7
Johnson & Firth		53xd	—	84	51	74.4	7.1
Johnson Matthey		438xd	+1	537	438	810.7	2.8
Kobe Steel Y		185	-10	221	147	5,248	1.9
Lee (A)		180xd	—	186	185	63.9	4.6

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Greenwich Res		16	+1½	22¼	8	14.9	-
Hemlo Gold C$		£8¼	—	£8⅝	£3½	604.9	1.5
Iwernia West IE		48	—	57	31	24.1	-
Kells Minis IE		12	—	13	6	0.29	-
Kenmare		6¼	—	13½	6	8.78	-
McBaga Res		17	-2½	25½	13½	1.85	-
Navan Res IE		74	—	77	25	12.9	-
5pc Ln Notes		74	—	77	25	13.3	-
Oryx Gold		74	—	74	47	-	-
Ovoca Res IE		3½	—	3½	3½	0.24	-
RTZ		658xd	-1	709	607	6,607	3.9
Vaczaya		5¼	—	5¼	2¼	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
s Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
& Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
& Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on BMR "Headline Earnings" draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £225 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT5108. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

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Annual subscription £250.00 stg.

Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1600)F

Sovereign Unit Tst Mngrs Ltd (1000)F

Foreign & Colonial Unit Management Ltd

Funds in Court*

Govett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

Albany Life Assurance Co Ltd - Contd.

Allied Dunbar Assurance Plc

Citibank Life

Family Assurance Society

Homeowners Friendly Society

M & G Life and M & G Pensions - Contd.

Norwich Union Life Insurance Soc. - Contd.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Bonds (Pensions)

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Fund		157.7		–

Provident Mutual Life Assc. Assc.
0 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	419.9	441.7	+1.2	–
Managed Init	296.6	312.2	+0.7	–
Equity Ord	651.1	684.3	+1.9	–
Equity Init	448.2	468.7	+1.3	–
Index Linked Gilt Ord	195.8	205.3	+0.2	–
Index Linked Gilt Init	144.0	151.6	+0.2	–
Overseas Equity Ord	334.2	351.6	+1.1	–
Overseas Equity Init	236.3	248.7	+0.8	–
Property Ord	227.9	239.0	+0.1	–
Property Init	160.6	169.4		–
Fixed Interest Ord	262.5	276.3	+0.2	–
Fixed Interest Init	185.5	195.3	+0.7	–
Deposit Ord	196.7	207.1	–	–
Deposit Init	139.1	146.4	–	–
Pension Funds				
Managed Ord	554.6	583.7	+1.8	–
Managed Init	392.0	412.6	+1.1	–
Equity Ord	863.0	908.4	+8	–
Equity Init	610.1	642.2	+0.1	–
Pen Ind Lnd Gilt Ord	222.1	233.8	+0.3	–
Pen Ind Lnd Gilt Init	164.0	172.6	+0.8	–
Overseas Equity Ord	388.2	408.6	+1.3	–
Overseas Equity Init	274.5	288.9	+1	–
Property Ord	290.7	306.0	–	–
Property Init	205.6	216.4	+0.1	–
Fixed Interest Ord	341.5	359.5	+1.3	–
Fixed Interest Init	241.4	254.1	+0.8	–
Deposit Ord	288.0	303.2	–	–
Deposit Init	[illegible]	214.3	[illegible]	–

Scottish Amicable

Life Funds (First Series)

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

Lifestar International Group

Pan European Life

Pacific International Life Assurance

Providence Capital International Ltd

Royal Life Intl. Ltd.

Royal Skandia Life Assurance Ltd (z)

Royal Skandia Life Assurance Ltd - Contd.

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

ECU Turnstreet PLC

Foster & Braithwaite Ltd

Fairhurst Financial Services(Pty) Ltd

IFS Capital Management Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mngt Plc

Northam Stage & Partners

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

United Financial Corporation Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

CBC Asset Management

GUERNSEY (SIB RECOGNISED)

ABN Carlyle Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mngt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Butterfield Fund Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

Barings (Guernsey)

Hambros Fund Managers (CI) Ltd

Investment Portfolio Svs (CI) Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Midas Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngt (CI) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rodolf Wolff Capital Management Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

Coutts & Co Fund Managers Limited

Federated International Funds Plc

GAM Fund Management Ltd (a)

GT Asset Management (Ireland) Ltd

Morgan Grenfell Investment Funds Ltd (a)

Pacific International Fund Plc

Singer & Friedlander Inv Funds Ltd (a)

Swiss Life Investment Fund (a)

IRELAND (REGULATED)(**)

BT Fund Managers (Ireland) Ltd

Bank of Ireland Unit Managers (Ireland) Ltd

Baring International Fd Mngrs (Ireland) Ltd

Chemical Fund Administrators Ltd

Dresdner Intl Investment Services Ltd

GT Asset Management (Ireland) Ltd

Hambros Fund Managers (Ireland) Ltd

Kleinwort Benson Capital Mngt (Ireland) Ltd

Morgan Grenfell Fund Mngt (Ireland) Ltd

Morgan Grenfell Protfolio Plc

Paine Webber Offshore Funds Plc (a)

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (10000)F

Asset Global Funds Ltd

CML Fund Managers (IoM)

Carlyon Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Olive Life Managers (IoM) Ltd

Rothschild Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisers Ltd

CML Fund Mngrs (IOM)

City Financial Advice (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

IBI Managers (IoM) Ltd

S & H Fund Managers (IoM) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Fleming Fund Managers International Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mngrs (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

J. Rothschild International Assce plc

Saxon International (Ireland) Plc

Ulster Bank Investment Fund Mgrs

Waltone Sea Investment Company PLC

JERSEY

FT MANAGED FUNDS SERVICE

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Prudential Fund Managers (Jersey) Ltd

Bank Von Ernst & Cie AG - Contd.

INVESCO International Limited - Contd.

Atlantas Sicav

NICAM Asia Pacific Umbrella Fund

Cantrade ITEC Fund Management

Hasenbichler Asset Management GmbH

Pacific Growth Fund

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

$ rises to just below DM1.70

HEAVY BUYING of the dollar by big US investment funds helped the currency rally to just below DM1.70 as favourable sentiment towards the dollar gained momentum, *writes Sandeep Deol.*

After a subdued morning session, the US currency hit a high of DM1.6990 before light profit-taking pulled it back to DM1.6970 by the close of European trading, to show a gain of 0.8 pfennig on the day.

A breach of DM1.70 is the next target many dealers have in mind. The catalyst for this could be an easing today in the Bundesbank's securities repurchase tender - known as the repo – or the release of US May durable goods data.

The announcement by the German central bank that the repo would be at a variable rate dashed hopes of a sizeable rate cut. Even so, the market is still looking for an easing in the order of 5 to 10 basis points from 7.60 per cent.

Whatever happens, Mr Avinash Persaud, senior currency economist at UBS, suggested that over the next few months the D-Mark will weaken against most major currencies on the grounds that German interest rates will almost certainly decline.

Mr Persaud expects that the US currency will to continue climbing in the near term, hitting DM1.72 in the next few weeks.

Mr Julian Callow, international economist at Kleinwort Benson, disagrees. He expect the US currency to pause and consolidate at around DM1.67 before its resumes its climb. Mr Callow believes that until the US Federal Reserve gives more tangible signs of a monetary tightening, the US currency could find a move to levels above DM1.70 difficult to sustain.

The dollar strengthened slightly against the yen also ending the day at Y111.35 from Y111.10 at the close on Monday. Near-term gains are seen limited despite political uncertainty in Japan.

The weakness of the D-Mark yesterday allowed the Irish Central Bank to trim its short-term facility rate by a ¼ point to 7.75 per cent and its overnight lending rate to 4.50 per cent. The punt held steady after the cut, trading at DM2.4427 in late European trade.

The French franc which had softened a touch on Monday following the Bank of France's easing of official interest rates closed little changed yesterday at FFr3.364 against the D-Mark from FFr3.360 the day before.

Sterling saw a quiet session and ended down half a pfennig at DM2.5075.

Against the dollar it lost nearly a cent, finishing at $1.4780. Better-than-expected first-quarter GDP data showing a revised quarter-on-quarter increase of 0.4 per cent against an initial estimate of 0.3 per cent had little impact on the market.

The current account deficit widened to £4.01bn in the first quarter of this year from £3.88bn in the fourth quarter of 1992.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 22	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	185.594	-3.76	4.84	63
Spanish Peseta	154.250	149.437	-3.12	4.14	54
Irish Punt	0.808628	0.802574	-0.75	1.65	38
Dutch Guilder	2.19672	2.19848	0.08	0.81	1
Belgian Franc	40.2123	40.2611	0.12	0.77	-1
D-Mark	1.94964	1.96053	0.56	0.33	-30
French Franc	6.53883	6.58965	0.78	0.11	-38
Danish Krone	7.43679	7.50317	0.89	0.00	-36

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 22	Latest	Previous Close
£ Spot	1.4770 - 1.4780	1.4875 - 1.4885
1 month	0.35 - 0.34pm	0.34 - 0.32pm
3 months	0.94 - 0.92pm	0.95 - 0.92pm
12 months	2.95 - 2.85pm	3.03 - 2.93pm

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

BASE LENDING RATES

Bank of Scotland ... 6	Heritable & Gen Inv Bk. 6	●United Bk of Kuwait ... 6
Barclays Bank ... 6	●Hill Samuel ... 6	Unity Trust Bank Plc ... 6
Brit Bk of Mid East ... 6	C. Hoare & Co ... 6	Western Trust ... 6
●Brown Shipley ... 6	Hongkong & Shanghai.. 6	Whiteaway Laidlaw ... 6
CL Bank Nederland ... 6	Julian Hodge Bank ... 6	Wimbledon & Sth West 7
Citibank NA ... 6	●Leopold Joseph & Sons 6	Yorkshire Bank ... 6
City Merchants Bank ... 6	Lloyds Bank ... 6	
Clydesdale Bank ... 6	Meghraj Bank Ltd ... 6	
The Co-operative Bank ... 6	McDonnell Douglas Bk. 6	
Coutts & Co ... 6	Midland Bank ... 6	
Credit Lyonnais ... 6		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MONEY MARKETS

More speculation

EXPECTATIONS about a cut in UK interest rates failed to disappear yesterday, despite better than expected data about the state of the economy in the first quarter, *writes Peter Marsh.*

The speculation about a cut in bank base rates, now at 6 per cent, has been fuelled partly by the fragile economic conditions in much of Europe. It has been aided by the easing this week in borrowing rates elsewhere on the continent.

The signs of weakening demand, especially in Germany, has led to worries that any UK recovery may be held back by reduced activity on export markets.

On the UK money market, the three-month interbank rate was quoted last night at about $5\frac{13}{16}$ per cent, slightly down on the 5⅞ per cent figure the previous evening.

Signs that investors were looking for a cut in base rates were confirmed by changes in the sterling futures market, where buying of the December contract pushed this to a close of 94.32.

The figures for gross domestic product published yesterday by the UK government had little impact on investor sentiment. This was on the grounds that they related to the first quarter. Since then, economic conditions in the rest of Europe have deteriorated, underlining the view that a further cut in UK interest rates may be needed to consolidate any upturn.

The Irish central bank yesterday cut its key interest rates by 0.25 percentage points, reducing its short-term facility rate to 7.75 per cent, and the overnight deposit rate to 4.5 per cent. The move followed Monday's interest rate cuts in France, Belgium, Netherlands and Portugal.

In Germany, Mr Hans Tietmeyer, the Bundesbank's deputy president, held out the prospect of further cuts in German interest rates. He said the bank would cautiously review further possibilities for easing borrowing conditions, but would continue to be guided by developments in M3 money supply.

Spanish interest rates might come down soon, Mr Luis Angel Rojo, the governor of the Bank of Spain, signalled yesterday. But he warned the pace of any movement would be conditioned by success in reducing inflation. In London the Bank of England provided the UK money market with around £500m of late, unspecified assistance, bringing total help for the day to £1.39bn.

Most Dutch money market rates eased slightly in quiet trade after the central bank lowered the special advances rate on Monday.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NETHERLANDS (continued)

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close June 22

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close June 22

[illegible]

INDICES

NEW YORK

DOW JONES	June 21	June 18	June 17	June 16	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3510.82	3494.77	3521.89	3511.65	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.39	107.36	107.44	107.42	107.67 (7/6)	103.49 (11/1)	501.97 (27/4/29)	54.99 (1/10/81)
Transport	1492.99	1490.26	1497.52	1507.90	1683.08 (15/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	240.05	238.55	240.86	240.42	247.68 (16/4)	217.14 (2/1)	247.69 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3531.86 (3539.88) Low 3477.05 (3478.44) (Theoretical)
Day's High 3511.65 (3527.98) Low 3482.00 (3494.49) (Actual)

STANDARD AND POOR'S

	June 21	June 18	June 17	June 16	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite $	446.22	443.68	448.54	447.43	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials ♥	512.65	510.67	517.08	515.96	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	43.43	42.85	43.08	42.80	46.67 (13/4)	38.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	246.19	244.94	247.21	246.60	251.36 (10/3)	236.21 (2/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	436.64	436.82	437.38	435.67	440.95 (4/6)	395.84 (2/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	698.74	698.59	695.94	696.25	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	Jun 18	Jun 11	Jun 4	year ago (approx.)
Dow Industrial Div. Yield	2.95	2.93	2.89	3.14

	June 16	June 8	June 2	year ago (approx.)
S & P Industrial div. yield	2.51	2.51	2.46	2.69
S & P Ind. P/E ratio	25.47	25.42	25.90	28.44

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
LTV Corp	8,527,100	⅜	—
Novell Ul	4,855,500	26⅛	—
Wal-Mart Stores	4,274,700	25⅛	—
General Motors	2,632,300	42⅞	+ 1⅛
K Mart	2,101,100	21¾	- ¼
Citicorp	2,057,100	28⅛	+ ½
Ford Motor	1,941,900	51⅛	+ 1⅛
Philip Morris	1,799,900	48	- ¼
Pfizer	1,729,000	70	- 2⅛
Nike C	1,698,900	57⅞	- 4⅛

TRADING ACTIVITY

† Volume (Millions)	June 21	June 18	June 17
New York SE	214.525	294.176	230.326
Amex	14.428	14.153	14.117
NASDAQ	208.473	249.918	245.438
NYSE			
Issues Traded	2,572	2,547	2,536
Rises	1,123	695	985
Falls	824	1,218	894
Unchanged	625	634	657
New Highs	56	40	63
New Lows	41	33	31

CANADA TORONTO

	June 21	June 18	June 17	June 10	1993 HIGH	1993 LOW
Metals & Minerals	3000.97	2977.30	2935.10	2919.10	3000.97 (21/6)	2743.31 (21/1)
Composite	3922.40	3906.94	3903.70	3892.48	3922.40 (21/6)	3275.80 (21/1)
MONTREAL Portfolio	1910.65	1906.78	1908.74	1908.21	1915.71 (26/5)	1720.97 (27/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ [illegible]

WORLD INDICES

	June 22	June 21	June 18	June 17	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	[illegible]					
All Mining (1/1/80)	[illegible]					
AUSTRIA						
Credit Aktien (30/12/84)	[illegible]					
Traded Index (2/1/91)	[illegible]					
BELGIUM						
BEL20 (1/1/91)	[illegible]					
DENMARK						
Copenhagen SE (3/1/83)	[illegible]					
FINLAND						
HEX General (28/12/90)	[illegible]					
FRANCE						
CAC General (31/12/81)	[illegible]					
CAC 40 (31/12/87)	[illegible]					
GERMANY						
FAZ Aktien (31/12/58)	[illegible]					
Commerzbank (1/12/53)	[illegible]					
DAX (30/12/87)	[illegible]					
HONG KONG						
Hang Seng Bank (31/7/64)	[illegible]					
IRELAND						
ISEQ Overall (4/1/88)	[illegible]					
ITALY						
Banca Comm. Ital. (1972)	[illegible]					
MIB General (4/1/93)	[illegible]					
JAPAN						
Nikkei (16/5/49)	[illegible]					
Tokyo SE (Topix) (4/1/68)	[illegible]					
2nd Section (4/1/68)	[illegible]					
MALAYSIA						
KLSE Composite (4/4/86)	[illegible]					
NETHERLANDS						
CBS Tt.Rtn.Gen. (End 1983)	[illegible]					
CBS All Shr (End 1983)	[illegible]					
NORWAY						
Oslo SE Indl (2/1/83)	[illegible]					
PHILIPPINES						
Manila Comp (2/1/85)	[illegible]					
SINGAPORE						
SES All-Singapore (2/4/75)	[illegible]					
SOUTH AFRICA						
JSE Gold (28/9/78)	[illegible]					
JSE Industrial (28/9/78)	[illegible]					
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	[illegible]					
SPAIN						
Madrid SE (30/12/85)	[illegible]					
SWEDEN						
Affarsvarlden Gen. (1/2/37)	[illegible]					
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	[illegible]					
SBC General (1/4/87)	[illegible]					
TAIWAN**						
Weighted Price (30/6/66)	[illegible]					
THAILAND						
Bangkok SET (30/4/75)	[illegible]					
WORLD						
M.S. Capital Intl.(1/1/70) $	[illegible]					
Euro Top-100 (26/6/90)	[illegible]					

[illegible]

TOKYO - Most Active Stocks

Tuesday, June 22, 1993

	Stocks Traded	Closing Prices	Change on day
Hitachi	6.3m	[illegible]	[illegible]
Nippon Steel	4.5m	[illegible]	[illegible]
Mitsubishi Hvy	4.5m	[illegible]	[illegible]
Sumitomo Mtl Mn	3.7m	[illegible]	[illegible]
Nippon Oil	3.6m	[illegible]	[illegible]

	Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	3.6m	[illegible]	[illegible]
Matsushita E Ind	3.6m	1,330	+40
Kawasaki Steel	3.5m	[illegible]	[illegible]
NEC	3.5m	[illegible]	[illegible]
Toshiba	3.4m	[illegible]	[illegible]

4 pm close June 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	24	876	13⅛	12⅞	13	+⅛
28⅝	20	A L Labs A	0.18	0.7	40	302	27¼	25⅝	26⅝	-⅜
63⅞	54⅝	AMP Inc	1.60	2.3	28	2256	63⅞	62¾	62⅞	
72¾	55½	AMR			8	9302	62¼	60	60½	-1½
2⅜	1¾	ARX			13	0	2⅛	2⅛	2⅛	-⅛
51½	29⅞	ASA	2.00	4.9	29	583	43⅞	43⅜	43⅞	
30¾	22⅝	Abbott Lab	0.68	2.8	18	6912	26¼	25⅞	26	-⅛
12⅝	10¾	Abitibi Pr	0.80	4.4	4	18	11¾	11¼	11¼	-¼
14⅛	8¼	[illegible]			33	52	12¾	12⅝	12¾	
32	25½	ACE Ltd	0.40	1.5		8128	27⅞	27¼	27⅝	+⅜
11¾	10¾	ACM Gvt In	0.96	8.3		224	11⅝	11½	11½	-⅛
10	9⅛	ACM GvOpp	0.80	8.2		118	9⅞	9¾	9¾	-⅛
9⅝	8¾	ACM Gvt Sp	0.80	8.4		201	9½	9⅜	9½	+⅛
11⅞	10½	ACM Gvt Sa x	0.96	8.7		189	11⅛	11	11	-⅛
11	9⅝	ACM Man	1.08	10.0		412	10¾	10⅝	10¾	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

Continued on next page

4 pm close June 22

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close June 22

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close June 22

AMERICA

Fresh round of profit warnings flatten Dow

Wall Street

A fresh round of profits warnings from major corporations left US stock prices flat or lower yesterday, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 14.39 lower at 3,496.43. The more hroadly-hased Standard & Poor's 500 was down 0.68 at 445.54, while the Amex composite was 0.99 lower at 435.67 and the Nasdaq composite down 0.98 at 687.76. Trading volume on the NYSE was 149m shares by 1 pm.

In recent weeks s string of hig companies have issued warnings unexpectedly about their immediate earnings prospects, many of them the result of disappointing sales. Additionally, some have said that they believe future business conditions will be less favourahle than originally expected.

Taken with recent data which has shown a struggling economy, the spate of corporate profits warnings suggests that the outlook for stock prices may not be as bright as it appeared at the start of the year, when economic growth was accelerating sharply and profits improving snbstantially. Consequently, investors fear that equities may have to give back some of the gains of this year before valuations return to more justifiable levels.

Among the latest companies to issue downbeat earnings prospects were Kmart and Chemical Waste Management. Kmart, the country's second largest retailer, fell $1⅞ to $20⅛ (a new 52-week low) in volume of 2.9m shares after the company's management warned that, because of poor recent retail sales, its second quarter earnings would come in significantly below the 37 cents a share it reported a year ago.

The newe from Kmart hit other retail stocks. Wal-Mart fell $⅝ to $24⅝, JC Penney tumbled $1⅞ to $44, Gap Stores dropped $1 to $30⅛, The Limited gave up $1 at $21⅛ and Federated Department Stores eased $⅝ to $21⅛.

Chemical Waste Management fell $1⅞ to $9⅞ in volume of 1.5m shares after the company said that it expects to report second quarter earnings well below those achieved in 1992. WMX, Chemical Waste's parent, which also said that its earnings would be below the previous year's level, fell $1⅞ to $33⅝.

Tambrands continued to be buoyed up by hopes that management will find a buyer for the company; it rose another $⅛ to $48⅝.

News of a fresh round of price cuts in the long-running air fare war depressed airline stocks.

AMR, parent of American Airlines, fell $1⅛ to $60⅝, UAL gave up $1⅞ at $119⅝, USAir eased $⅝ to $15⅝, and Delta slipped $⅝ to $47¼.

On the Nasdaq market, technology issues continued to decline, with Novell dropping $1⅛ to $24⅛ and Microsoft falling $1⅛ to $87⅛.

Canada

TORONTO edged ahead in active trading and by noon, the TSE 300 index was 9.12 higher at 3,931.55 with many investors expecting a move by the Bank of Canada later in tbe day to cut its key lending rate.

Among actlvely traded issues, Hollinger rose C$⅛ to C$13¼.

EUROPE

Dollar, interest rate hopes lift bourses

THE HIGHER dollar and interest rate hopes gave bourses a modicum of lift, *writes Our Markets Staff.*

FRANKFURT retained the late gains it saw on Monday, the DAX index closing 8.16 higher at 1,698.08 in turnover up from DM6.3hn to DM7.2bn.

The stronger dollar was advanced as one reason, the other being hopes of a key interest rate cut in nine days' time. As on Monday, share prices seemed to be prepared to act on the first theory, but not on the second.

Banks were subdued, but the export-sensitive automotive industry stayed strong. BMW rose anothar DM6.50 to DM501.50, the tyremaker, Continental, rose DM8.50 to DM218 and the truckmaker and engineer, MAN, was DM8.80 better at DM283.

Mr Harry Jaarsma of Dresdner in Frankfurt said that MAN had been depressed, that there had heen news of improved tax treatment for the haulage industry, and that the latest figures for truck production and sales showed minor indications thet the sector was improving. There were stories that another bank had recommended Conti.

In chemicals, Hoechst outperformed with a gain of DM5.80 at DM253.80. The market thought that Rhône Poulenc's sale of 35 per cent in Roussel Uclaf would give Hoechst more effect control of the pharmaceuticals and bioscience company.

PARIS posted its third consecutive gain ahead of today's end of the June account, the CAC 40 index closing 6.11 higher at 1,935.28. Turnover was active at FFr3.6bn, np from FFr2.65bn on Monday.

The gains followed Monday's quarter-point interest rate cut by the Bank of France. Interest rate-sensitive stocks responded with Suez up FFr5.50 to FFr307.90 and Paribas FFr8.50 better at FFr404.50.

Meanwhile, the rise in the dollar continued to lift cyclicals with Saint Gobain FFr8.70 higher at FFr491, and Peugeot FFr10 higher at FFr540 in advance of today's agm.

MILAN made a positive start before investors were givan panse by news that the government had called a confidence vote for later in the week.

Trading quickly picked up again on the view that Prime Minister Carlo Azeglion Ciampi's two month old administration was not at risk. The strength of the lira, together with hopes of lower rates in Europe, provided some impetus as the Comit index rose 2.28 to 527.98.

Fiat stayed at the centre of attention, on renewed speculation about an international accord or asset sale. The shares shed L99 to fix at L6,091 before picking up to L6,200 on the kerb as Mr Umberto Agnelli, the vice chairman, denied that negotiations were under way to sell Toro Assicurazioni, or La Rinascente.

Ferruzzi continued under pressure, losing L49.40 or 8.2 per cent to L551.60. Montedison, seen by analysts as better placed to ride out the debt crisis, slipped L20 to fix at L874, before L855 after hours.

ZURICH finished ahead, but off the day's highs, with prices supported by a lack of sellers, firmer bonds and the positive trend in other European bourses. The SMI index rose 5.6 to a second consecutive all-time high of 2,335.0.

In a firmer chemicals sector, Sandoz bearers rose SFr35 to SFr3,350n on news that a US study had concluded that one of the group's schizophrenia drugs significantly cut the time that chronically ill patients needed to remain in hospital.

AMSTERDAM overcame technical problems which halted trading for more than two hours and the CBS-Tendency index rose 0.80 to 111.00 in response to the firmer dollar and the outlook for lower interest rates.

Unilever added Fl 3.00 to Fl 204.50 in continued response to a series of upbeat investor presentations last week.

MADRID talked of interest rate cuts as the general index rose 1.26 to 264.92. Utilities gained most from the speculation, Sevillana rising Pta11 to Pta501.

STOCKHOLM was enlivened by strong foreign-led demand for Ericcson although the Affärsvärlden general index closed unchanged at 1,075.8.

Ericcson B shares rose SKr10 to a record SKr332 as the group continned its series of new order announcements with news of a mobile network for Japan.

ATHENS extended this month's gains, tha general index rising 6.85 to 776.03.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

June 22 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1198.81	1198.75	1199.40	1199.04	1199.08	1198.48	1199.32	1198.69
FT-SE Eurotrack 200	1254.17	1253.32	1254.82	1254.71	1254.61	1254.66	1255.16	1253.34

	Jun 21	Jun 18	Jun 17	Jun 16	June 15
FT-SE Eurotrack 100	1193.31	1186.72	1182.69	1181.17	1173.17
FT-SE Eurotrack 200	1250.44	1242.58	1238.06	1236.97	1229.86

Base value 1000 (26/10/90) High/day: 100 - 1199.91; 200 - 1255.91 Low/day: 100 - 1197.86 200 - 1251.85.

ASIA PACIFIC

Foreign demand helps Nikkei recoup losses

Tokyo

PUBLIC fund and arhitrage related buying supported share prices and the Nikkei average recouped a part of Monday's fall, as an expected rush of selling hy investors failed to materialise, *writes Emiko Terazono in Tokyo.*

The Nikkei, which lost 3 per cent oo Monday on political uncertainty, recovered 325.87, or 1.7 per cent, to 19,538.30. It weakened to the day's low of 19,141.05 at the beginning of the sesslon, but rose steadily during tbe rest of the session, hitting a high of 19,619.52 some 15 minutes before the close.

Volume remained almost flat, at 350m shares against 351.1m. Advances led falls by 787 to 237, with 108 issues unchanged. Tbe Topix index of all first section stocks rose for the first time in seven trading days, gaining 24.10 at 1,555.38. In London the ISE/Nikkei 50 index was 0.97 firmer at 1,193.91.

Traders said investors had recovered from the initial shock of the split within the ruling Liberal Democratic party. "It is an uncertainty, but not a threat to the market," said Mr Chris Newton at James Capel. Foreigners were seen buying stock futures on the Singapore market, triggering arbitrage related buying.

However, Baring Securities said activity was not expected to pick up substantially ahead of the parliamentary elections on July 18.

Meanwhile, the yen continued to weaken against the dollar. Bond yields rose hy 0.06 percentage points to 4.465 per cent, as the fall in the Japanese curreocy undermined hopes of an imminent cut in the official discount rate.

Stocks which lost ground on Monday on margin related selling recovered. Nippon Telegraph and Telephone rallied Y24,000 to Y855,000 and NEC rose Y24 to Y931.

Semiconductor manufacturing equipment makers gained ground on hopes, prompted by newspaper forecasts, of an earnings recovery. Nikon advanced Y35 to Y948 and Tokyo Electron Y60 to Y2,700. Large-capital issues were higher on short-covering. Nippon Steel put on Y4 at Y366 while Mitsuhishi Heavy Industries rose Y20 to Y648.

The real estate sector posted the strongest performance, climhing 4.3 per cent on reports of a 78.7 per cent rise In individual applications for Housing Loan Corporation loans for May. Mitsui Fudosan edded Y50 at Y1,230 and Mitsubishi Estate Y52 at Y1,040.

In Osaka, the OSE average ended 341.69 ahead at 21,509.23 in volume of 30.6m shares.

Roundup

PACIFIC Rim markets turned in mixed performances.

HONG KONG benefited from better than expected results of a government land auction and improved perceptions of talks at the Sino-British Joint Liaison Group. The Hang Seng index advanced 43.15 to 7,046.73.

Hong Kong Worsted Mills, target of a takeover hid by a state-owned Chinese company, jumped HK$5.60, or 59 per cent, to HK$15.10 as trade resumed after its suspension on June 17.

Miramar, the hotel group, was unchanged et HK$16.20. Cheung Kong, which has joined Citic Pacific in a bid for Miramar, fell 30 cents to HK$26.50, while Citic was up 10 cents to HK$16.90.

SINGAPORE fell across the board on institutional selling and the Straits Times Industrial index dipped 31.81, or 1.75 per cent, to 1,787.68.

AUSTRALIA saw profit-taking in blue chips, which left the All Ordinaries index 9.9 lower at 1,716.7 in lacklustre trading ahead of the end of the financial year on June 30.

BHP fell 20 cents to A$13.90 and dragged the market lower, following reports that it plans to expand its mineral division.

KUALA LUMPUR lost part of an early gain on profit-taking, with investors cautious about the market's direction after last week's downward correction. The composite index ended a net 10.29 higher at 724.96.

TAIWAN reversed emall early advances to close easier as turnover sank to its lowest level since January. The weighted index, which was up about 14 points in early trade, finished 11.88 down at 4,062.49.

SEOUL saw demand by individual investors for large capitalisation shares and the composite index moved forward 4.56 to 770.62.

Market rumours of a scrip issue helped Daewoo Heavy Industries to gain Won700 but an immediate denial by the company pared the advance to Won300 and the shares closed at Won18,400.

BANGKOK found demand from individual and institutional investors, which took the SET index 15.59, or 1.76 per cent, higher to 903.53, its first close above the 900 level for two months.

COLOMBO continued to rise, the CSE all-share index adding 4.25 at 619.14 in turnover which swelled to Rp135.7m from Monday's Rp68.2m. KARACHI finished higher on heavy foreign buying of financials, polyesters and chemicals, and the KSE index rose 9.45 to 1,235.51.

SOUTH AFRICA

GOLD shares ended easier in line with the softer hullion price. The golds index feli 32 to 1,718, but industrials rose 17 to 4,676. The overall index was 6 lower at 4,005. De Beers lost 50 cents to R77.50 and Anglos shed R1.25 to R135.50.

Well-heeled Palestinians boost equities in Amman

James Whittington on share price growth in Jordan

Although Jordan has one of the smallest economies in the Arab world (GDP last year was $4.8bn at current producer prices), its stock market is one of the most developed and profitable.

Buoyed by real GDP growth of 11 per cent last year and the arrival of around 300,000, mostly well-heeled, Palestinians from the Gulf, the Amman Financial Market (AFM) climbed by nearly 30 per cent in 1992, making it one of the fastest growing emerging markets in the world.

With 120 listed companies, the AFM's equity market capitalisation stands at around JD3bn. This year, its general share price index had risen by a further 26 per cent to 164.34 by yesterday, making a gain of nearly two-thirds since it was based at 100 in December 1991.

Stock market turnover, since January 1, had risen to JD460.5m by mid-June, up 26 per cent from JD370.9m in the same period last year. And, on the basis of earnings so far in 1993, the market is selling on a price/earnings ratio (p/e) of 20.

Trading has been prolific this year, with daily volumes running well above levels previously seen. In May the share price index advanced by 9.7 per cent, and on certain days in June the value of trade peaked at as much as JD16m compared with a daily average of JD6m in May.

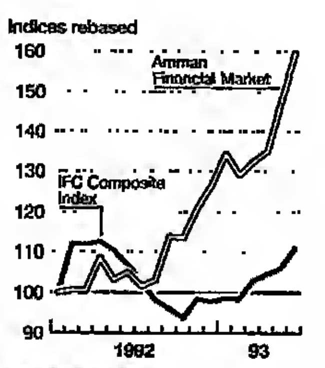
Last week the central bank was forced to reduce credit to speculators in an attempt to cool down the bullish bourse. But this has done little to diminish growing enthusiasm in the market.

Although the government and its agencies own substantial stakes in many Jordanian companies, particularly in tourism and the minerals sector, the Amman market still has a relatively large float. Approximately one-half of the total market is available for trading, and it is estimated that more than 100,000 Jordanians are active in the stock market, a higher number than in any other Arab country.

Non-Arab foreign investors have to obtain approval from the government before trading (a formality which should normally take no more than a few days through a local broker). Then their only restriction, at the moment, is that foreigners are not allowed to own more than 49 per cent of most businesses. Capital and dividends can be repatriated through a bank as long as foreign currency brought in was declared for the original investment.

Jordan

Indices rebased



Source: Datastream

The market's success is a flattering reflection of the country's economic fortunes. In spite of the cataclysmic events in 1989, when the Jordanian dinar was forced to devalue by 45 per cent, and in 1990 at the initial stages of an International Monetary Fund adjustment programme when Iraq invaded Kuwait, the kingdom's economy has bounced back to achieve record growth rates.

The Gulf returnees brought with them an estimated $1.5bn which fuelled a major construction boom in the kingdom and increased liquidity. Fat corporate profits in many sectors last year, particularly banking, buoyed confidence in the market. And stockbrokers say optimism over the Middle East peace talks is also encouraging investment.

In light of the recent spate of market activity, however, there are fears in some quarters that certain shares are overvalued. Mr Saed Nabulsi, Jordan's central bank governor, says he is worried about the level of equity appreciation, especially with shares in the services and industry sector. And there is concern that the market euphoria is currently driven by short term investors with hit-and-run tactics. But Mr Umayya Toukan, the AFM's director general, claims he is happy with the overall p/e of 20 in comparison with other markets worldwide.

A daily price ceiling of plus or minus 5 per cent currently operates on individual shares as a market stabiliser.

Whatever the outcome of the market's present apparent overheating, the AFM does seem to have a bright future.

The Jordanian dinar has been stable at its present level for the past 30 months or more ($1:JD0.689); GDP is predicted to grow steadily by around 5 per cent for the next few years; and as business confidence becomes the norm, Jordan can expect to see the steady trickle of repatriations increase. Estimates of funds held by Jordanians overseas range from $5bn to $10bn.

Moreover, given a peace settlement with Israel or a lifting of sanctions on Iraq, then Jordan could become another Singapore in the desert.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JUNE 21 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JUNE 18 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (68)	135.80	+1.0	135.36	95.37	119.25	131.65	-0.4	3.81	134.44	133.24	92.88	117.43	132.18	144.19	117.39	148.57
Austria (18)	148.21	-0.4	144.73	101.98	127.61	127.35	+0.8	1.64	145.73	144.42	100.69	127.28	126.26	150.96	131.16	170.30
Belgium (42)	142.42	-0.7	141.95	100.01	125.08	122.05	+0.0	4.69	143.47	142.18	99.12	125.31	122.07	156.78	131.19	141.32
Canada (108)	129.70	+0.6	129.27	91.08	113.88	118.85	+0.5	2.62	128.95	127.79	89.09	112.62	119.05	129.97	111.41	124.32
Denmark (33)	214.70	+0.1	213.69	150.78	188.53	188.71	+0.6	1.20	214.44	212.52	148.16	187.30	187.53	225.64	185.11	231.98
Finland (23)	87.71	+0.1	87.42	61.60	77.02	103.86	+0.4	1.17	87.61	86.82	60.53	76.52	103.41	100.92	65.50	74.89
France (97)	151.64	+0.3	151.14	106.49	133.15	134.99	+0.8	3.34	151.20	149.85	104.46	132.05	133.89	187.36	142.72	159.03
Germany (62)	109.35	-0.5	108.98	76.80	96.02	96.02	+0.1	2.21	109.86	108.87	75.91	95.95	95.95	117.10	101.59	124.87
Hong Kong (55)	285.02	-2.8	284.08	200.16	250.29	283.21	-2.5	3.33	292.57	289.95	202.14	255.55	290.56	301.61	218.82	245.79
Ireland (15)	158.37	-0.6	157.85	111.22	139.07	154.22	+0.0	3.50	159.27	157.84	110.04	139.11	154.18	170.40	129.28	158.45
Italy (73)	66.10	-1.1	65.88	46.42	58.04	75.51	-0.7	2.07	66.84	66.24	46.17	58.37	76.07	72.82	53.78	70.56
Japan (470)	136.69	-4.9	136.24	96.00	120.05	96.00	-3.3	0.86	143.73	142.44	99.30	125.55	99.30	155.96	100.75	95.29
Malaysia (69)	335.39	-1.0	334.28	235.53	294.50	335.45	+0.0	2.01	338.91	335.87	234.15	296.01	335.45	349.34	251.66	238.51
Mexico (18)	1514.02	+1.4	1509.02	1063.27	1329.47	5154.77	+1.4	1.31	1492.49	1479.11	1031.16	1303.58	5084.71	1725.81	1410.30	1478.90
Netherland (24)	166.14	+0.1	165.59	116.68	145.89	143.82	+0.7	3.83	165.98	164.47	114.66	144.96	142.63	172.75	150.39	159.90
New Zealand (13)	49.30	+0.4	49.13	34.62	43.29	48.25	+0.8	4.80	48.10	48.66	33.93	42.89	48.12	49.82	40.56	46.54
Norway (22)	151.12	-0.7	150.62	106.13	132.70	148.14	-0.1	1.81	152.15	150.79	105.12	132.89	146.32	166.21	137.71	173.74
Singapore (38)	247.88	-2.1	247.06	174.08	217.66	166.14	-0.5	1.83	253.21	250.94	174.94	221.16	189.15	262.72	207.04	222.07
South Africa (60)	194.71	-0.6	194.06	136.74	170.97	200.23	+0.8	2.52	195.92	194.17	135.36	171.12	198.70	201.01	144.72	218.71
Spain (46)	128.48	-0.9	128.05	90.23	112.81	125.41	-0.4	4.72	129.63	128.47	89.57	113.22	125.95	132.82	115.23	153.57
Sweden (36)	170.56	-0.7	170.00	119.78	149.77	190.76	-0.5	1.77	171.76	170.22	118.67	150.03	181.66	184.06	149.70	191.30
Switzerland (52)	125.69	+0.5	125.28	88.28	110.38	117.04	+0.8	1.86	125.12	124.00	86.45	109.30	116.39	129.36	108.91	107.03
United Kingdom (219)	175.32	+0.2	174.74	123.11	153.93	174.74	+0.7	3.97	175.03	173.46	120.92	152.86	173.46	181.99	162.00	190.42
USA (519)	182.28	+0.8	181.68	128.02	160.07	182.28	+0.8	2.61	181.19	179.58	125.18	158.26	181.18	186.27	175.38	164.37
Europe (782)	143.17	+0.0	142.70	100.55	125.73	135.69	+0.5	3.27	143.24	141.96	98.87	125.12	135.08	149.02	133.92	151.93
Nordic (114)	160.49	-0.4	159.95	112.71	140.92	158.69	-0.1	1.57	161.18	159.71	111.34	140.76	158.83	171.77	142.13	175.59
Pacific Basin (713)	141.32	-4.4	140.85	99.25	124.10	102.77	-3.1	1.15	147.88	146.55	102.17	129.16	106.03	159.07	105.89	102.21
Euro-Pacific (1475)	141.97	-2.7	141.50	99.70	124.66	116.24	-1.7	2.03	145.87	144.56	100.77	127.40	118.19	154.05	117.26	122.30
North America (627)	179.00	+0.6	178.40	125.72	157.20	178.01	+0.6	2.61	177.82	176.33	122.94	155.43	176.95	182.38	171.51	181.96
Europe Ex. UK (543)	123.37	-0.2	122.97	86.66	108.36	113.66	+0.3	2.79	123.61	122.50	85.42	107.99	113.37	128.65	112.51	128.62
Pacific Ex. Japan (243)	186.87	-1.1	186.25	131.26	164.11	172.62	-1.2	3.18	188.94	187.24	130.58	165.04	174.75	194.08	152.70	170.22
World Ex. US (1661)	142.94	-2.5	142.46	100.39	125.52	116.49	-1.5	2.06	146.62	145.30	101.31	128.06	120.33	154.27	118.51	124.29
World Ex. UK (1961)	153.21	-1.5	152.71	107.61	134.55	134.55	-0.9	2.18	155.49	154.10	107.44	135.83	135.71	161.34	134.22	131.82
World Ex. So. Af. (2120)	154.89	-1.3	154.48	108.86	136.11	137.64	-0.7	2.35	157.06	155.65	108.52	137.16	138.64	162.74	187.29	136.35
World Ex. Japan (1710)	166.65	+0.3	166.10	117.04	146.36	162.21	+0.4	2.97	166.20	164.71	114.84	145.19	161.48	170.05	157.47	160.03
The World Index (2180)	155.16	-1.3	154.65	108.97	136.26	138.18	-0.7	2.35	157.22	155.61	108.63	137.33	139.14	162.66	137.32	136.87

Malaysian market closed 21/6/93. Latest prices were unavailable for this edition.

Community decides it is time to roll up its sleeves

Ian Davidson sees the acceptance by the Twelve that they must take responsibility in Bosnia as a foreign policy watershed for the EC

AGAINST every expectation, the European Community this week passed a fundamental watershed in its history, with the decision to provide men and money to defend Moslem safe havens in Bosnia.

We do not yet know in detail how the Copenhagen declaration will work out in practice: the real decision to send troops can only be taken individually by each member state. But the fundamental precedent is that the EC has for the first time moved beyond its traditional penchant for issuing wishy-washy expressions of opinion on difficult foreign policy issues, to a commitment to action.

In effect, the Community appears to have accepted that Bosnia is a European responsibility. In Resolution 836, the United Nations Security Council voted for the establishment of safe havens in Bosnia; but it did not vote the provision of troops to implement the policy.

Then, Nato ministers met and said the organisation would implement the policy; but they did not offer to provide the troops required to do so. The European Community has not formally decided on the sending of troops; that would be beyond its power. But it is now politically committed to the end result. This is a new situation.

Sceptics will assume that this week's declaration will prove to go beyond what the Community can deliver. Britain already has a significant contingent in Bosnia, but yesterday the UK government declared it would send no more men. The Germans claim to be inhibited by their constitution from sending troops. The French already have the largest military force in ex-Yugoslavia, and will be reluctant to send more.

Mr Felipe González, the Spanish prime minister, said Madrid would not add to the 1,200 troops it has in Bosnia. Mr Boutros Boutros Ghali, UN secretary general, has indicated that he would not welcome the deployment of troops from Italy. Greece has said that, as a neighbour of the former Yugoslavia, it is inhibited by UN rules from sending troops.

So, if all these Community countries do not provide the forces, it is not obvious which of the other six will be ready to come up with the 7,500 men needed to defend the safe havens.

And yet, in one way or another, the Bosnian tragedy and the European Community have both crossed some kind of Rubicon. The choice in Bosnia has become quite stark: either the Community will mobilise, by itself or with others, the troops necessary to defend the safe havens; or else it will be driven back on to the strategy preferred by President Bill Clinton, to lift the arms embargo and (probably) start bombing the Serbs.

Yesterday, indeed, under pressure from Mr Clinton, Chancellor Helmut Kohl actually started canvassing his Community colleagues with the case for the preferred US policy. In the event, his canvassing backfired, because President François Mitterrand succeeded in persuading his partners that the EC must not only stand by its agreed safe havens policy, but must take the practical steps to implement it.

Those two alternative options remain: but in effect the Community has moved into point position for determining which of them is activated. If the Twelve succeed in mustering the minimum forces required, they will be responsible for the military enforcement of a ceasefire and a negotiation; and they may find themselves inextricably embroiled in a conflict which may yet demand further troop reinforcements for an indeterminate period.

If they fail to muster the minimum force required, the Community's pretensions will be immediately exposed, and they will be forced to switch track.

This choice will have to be faced very quickly, such is the precariousness of the situation in Bosnia. According to the Danish president of this week's summit, prime minister Poul Rasmussen, the decisions will have to be taken in days rather than weeks.

It is quite difficult to understand how we got here. The Community is manifestly ill-equipped for handling any kind of operational foreign policy, let alone the military containment of a foreign war. The Maastricht treaty claims to aim at the eventual development of a common foreign and security policy; but most people rightly regard the treaty's formal provisions with amused derision.

Large countries like France and Britain would prefer to cling nostalgically to essentially national foreign policies, as well as to their special privileges as nuclear powers, even if they admit the occasional case for "co-operation". Small countries like Denmark and Portugal would rather not have any foreign policy at all. It is difficult to imagine what possessed the Twelve collectively this week to come out with a declaration which effectively commits them to common action of the most demanding kind.

No doubt it is partly a response to the realisation that, on this occasion and for this problem, the Americans are simply not going to take the lead, let alone take charge. In other words, Bosnia is in practice Europe's problem; if the outside world is to exert any effective influence on it, Europe must take the lead.

After so much savagery and so much suffering in Europe's back yard, this long-delayed reaction of shame does not come too soon.

Major enjoys a minor triumph

By Philip Stephens, Political Editor, in Copenhagen

THIS WAS not a summit that settled anything. But from Mr John Major's perspective that perhaps was no bad thing.

With the final act of the Maastricht drama now drawing to a close in the UK parliament, the prime minister had two well-defined objectives.

The first was to persuade sceptical European counterparts that Britain – stranded outside the ERM, dismissive of Emu and disparaging of the social chapter – can still make a significant contribution to the debate on Europe's future.

The second, and more immediate, aim was to persuade a rather different brand of sceptic in his own Conservative party – the Europhobes – that he is being listened to, that Europe might yet forsake its obsession with internal institutional change in favour of a liberal, free-market, outward-looking agenda.

Mr Major half-succeeded. Copenhagen provided the evidence of post-Maastricht exhaustion among Europe's leaders.

British officials could claim that federalism was a word scarcely uttered at the summit table. "Reality has broken in," declared Mr Major. With 17m unemployed across the Community and the total rising there was grudging admission that the biggest challenge facing Europe was to reverse the decline in its competitiveness.

But his partners still cannot understand his antagonism to the social dimension and are less than amused by UK boasts that its more flexible labour market acts as a magnet for inward investment.

The realities, though, of large budget deficits, of inexorable increases in social security budgets and of rising jobless totals have had an impact. Mr Major still faces battles over several planned directives, the part-time work and yonng persons employment proposals among them. But it was hard to detect any enthnsiasm for anotber wave of social harmonisation.

With the Dutch, the Spanish, tha Portuguese and one or two others ready to use phrases like "flexible labour markets" and "socia1 priorities", Mr Major claimed the summit marked a breakthrough.

He did not agree with the prescription of some of his partners for rastoring Europe's ailing economies, but at least the Community had agreed on the need to confront the hard realities. It was now "addressing today's needs and not tomorrow's dreams".

There was hyberbole in much of this. At these summits Britain still looks the reluctant partner. Bnt Mr Major played his cards well. He has had much worse summits.

EC fears grow on high cost of creating jobs

By David Gardner in Copenhagen

THE summit revealed that there is a consensus emerging among the Twelve that the cost of creating jobs in the Community is too high, and that Europe's competitiveness is suffering so badly that it is in danger of exporting jobs rather than goods.

But there is little to indicate that governments are preparing to tear down Europe's traditional welfare systems. In spite of British crowing that the debate is moving "inexorably in the direction we have been advocating for some time," as Mr John Major, the UK prime minister, concluded, Britain's partners are not about to rip up the EC's social charter.

"No monster or dragon has been slain by the British delegation," insisted a senior European Commission official. Mr Poul Nyrup Rasmussen, the social democrat prime minister of Denmark who chaired the summit, went out of his way to stress that the 12 had begun a debate on jobs and competitiveness "without questioning the basic principles of our social welfare system."

But what *has* started is a radical rethink on labour costs and flexibility, and on ways the EC can regain competitive advantage and restore growth. This debate will certainly reshape thinking on EC social policy, a debate likely to be complicated by sharp differences over whether the EC should develop an industrial strategy.

Behind the fuzzy outline of Mr Delors' presentation on jobs and competitiveness is the conviction that Europe cannot compete with Japan and the US, let alone, with eastern Europe and China, simply by driving down wage and non-wage costs.

Part of Mr Delors' solution is that the EC must "trade up" into ever higher added value activity. This means much more spending on infrastructure, research and development and training.

Liberal member states, witb the UK in the vanguard, see a disguised industrial policy behind such prescriptions, which Mr Delors failed to insert in the Maastricht treaty, and in the seven-year EC finance package agreed at the Edinburgh summit.

The UK has already objected to Brussels plans to reform the Ecu6bn (£4.71bn) EC social fund, by siphoning off funds targeted on young and long-term unemployed to allow companies undergoing restructuring to retrain their workers.

Other parts of the Delors prescription, like more spending on active labour market policies, more job-sharing, and switching taxes on labour to eco-taxes on energy and natural resources, reflect a shift in emphasis towards those without jobs and away from setting terms for those in work.

A green paper on the future of social policy, due from the Commission in the autumn, will confirm the shift. But neither Brussels nor the UK's partners are likely to abandon outstanding draft laws derived from the Social Charter.

Mr Major singled out the recently passed working time directive, and Brussels proposals to protect part-time and young workers and acquired employment rights, as particularly "muddle-headed meddling", and argued that all proposals should be screened for their impact on costs and competitiveness. This is likely to happen more and more.

Despite the opt-out, the UK has had to fight hard to dilute measures it abhors, like the working time directiva. It is having to negotiate assiduously on measures its partners may introduce under the social chapter.

Nevertheless the UK is right in believing costs have moved up the social agenda of all its partners. When the working time directive was finalised this month, a so-called no-regression clause - a pledge by the 11 not to use concessions designed for tbe British to backslide on their own working time conditions - was struck out without demur.

European leaders line up for a "family photo" at the conclusion of the Copenhagen summit yesterday. Flanking Spain's Felipe González (centre) are Mr Anibal Cavaco Silva of Portugal (right) and Germany's Chancellor Helmut Kohl

Refusal to attend peace talks puts future of Izetbegovic in doubt

By Robert Mauthner, Diplomatic Editor

MEMBERS of Bosnia's collective presidency will attend peace talks in Geneva today without tbeir leader, President Alija Izetbegovic, after failing to persuade him to participate in the negotiations.

Mr Izetbegovic's absence reflects a serious split in the presidency over whether proposals put forward hy the Serbs and Croats for the creation of three ethnic mini-states in Bosnia, linked only by very loose confederal ties, could serve as the basis of a peace settlement.

It is likely, sooner or later, to lead to the replacement of Mr Izethegovic, whose term of office in the rotating presidency was extended last December for the duration of the war in Bosnia. However, Mr Fikret Abdic, a moderate Moslem member of the presidency, yesterday strongly denied suggestions that he was trying to unseat Mr Izetbegovic.

The leader of the Bosnian delegation at the Geneva talks would be Mr Franjo Boras, a Croat member of the presidency, and not himself, Mr Abdic said. "I do not want the central issue to be Mr Izetbegovic's replacement. The central issue is peace in Bosnia."

Mr Izetbegovic flew straight to Zagreb from Copenhagen on Monday night, after failing to persuada European Commnnity leaders to support the lifting of the United Nations embargo on arms sales to Bosnia, in spite of West German Cbancellor Helmnt Kohl's backing for such a move.

By the time Mr Izetbegovic arrived in the Croatian capital, the other eight members of the presidency had already voted 7-1 in favour of participation in the Geneva talks today. Only vice president Ejup Ganic, joined later by Mr Izetbegovic, opposed snch a step, and refused to go.

The other memhers of the Bosnian presidency, who have been invited to the talks by Lord Owen, one of tbe two international mediators, are joining. Serhian President Slobodan Milosevic and Croatian President Franjo Tudjman in Geneva to hear more details of their proposals, unveiled in outline last week. Mr Radovan Karadzic, the Bosnian Serb leader, and Mr Mate Boban, his Croat opposite number, are also expected to attend the talks.

Mr Tudjman has indicated that the Serbian-Croat proposals, due to be presented separately but after co-ordination of the two sides' positions, will consist of a division of Bosnia into three largely homogeneous ethnic cantons, similar to an earlier EC plan drawn up by Mr José Cutileiro of Portugal. However, both the Bosnian Moslem and Croatian parts of the country would be divided into two separate geographical areas, making five regions altogether.

The general assumption in EC capitals is that, while the Bosnian Serbs will have to withdraw from some of the territory occupied by them since the outbreak of the conflict 14 months ago, they will not have to give up as much as under the now defunct Vance-Owen plan.

Serb and Croat forces yesterday jointly attacked Konjic in central Bosnia, according to Bosnian radio, Laura Silber reports from Belgrade. Bosnian radio appealed to the United Nations to send food to nearly 60,000 people trapped in the town. Mr Alija Izetbegovic, the Bosnian president, appealed on radio to keep Bosnia as a "common homeland for Moslems and Croats" and urged Croats to stay at bome rather than flee to Croat-held territory. In Gorazde, the last Moslem stronghold in eastern Bosnia, a relief convoy was finally able to cross Serb lines into the UN-designated safe area. Serbs had launched a month-long offensive on Gorazde banning passage of aid despite its protected status. Ten trucks carrying 80 tonnes of aid and their armoured escort were waved through the besieging Bosnian Serb army's front lines.

States fail to meet ideal of openness

By David Gardner

THE Twelve's proclaimed ideal of a more open and accountable Community made only halting progress at the Copenhagen summit, disappointing the Danish presidency, which had championed the cause of transparency and pioneered the televising of parts of EC Council of Ministers meetings.

The Council and the European Commission were enjoined to put in place promised measures on access to EC information and subsidiarity – decision-making at the lowest practicable level – by the end of the year.

The Commission wants to give the public right of access to all EC information, except where commercial confidentiality, relations with non-EC countries, privacy, monetary stability or national security would be endangered.

However, a row between the member states and the European parliament over categorising sensitive information, and the lack of enthusiasm of members such as the UK, Belgium and Portugal on openness, are holding up the much-vaunted plan for "a Community close to its citizens".

Countries like the UK and Germany are more interested in subsidiarity, in devolving rather than opening up EC decision-making. "Nothing is more dangerous for the image of the EC than the impression that it is encroaching on the competence of member states," Mr Douglas Hurd, Britain's foreign minister, told the summit.

The Commission is to complete a review of 45,000 pages of EC laws and regulations in the light of snbsidiarity by December's Brussels summit, and won praise from the Twelve for "submitting proposals only when it feels they fulfil the subsidiarity criteria".

But the commitment in the summit's conclusions to provide "the fullest possible access to information" was the sort of compromisa which advertised that there is still a long way to go before the EC as a whole will accept much closer scrutiny of its operations.

EIB to receive new facility to help smaller businesses

By Lionel Barber in Copenhagen

EC LEADERS yesterday approved a new Ecu3bn (£2.35bn) soft-loan facility for the European Investment Bank to help small and medium-sized businesses and to fund road and transport projects in Europe. It is an extension of an Ecu5bn EIB credit line agreed at last year's Edinburgh summit. It will remain open beyond 1994, providing an interest rate subsidy of up to 3 per cent.

Tbe Copenhagen summit also agreed that EC finance ministers should study a European Commission proposal to provide an Ecu5hn bridging loan at market rates so that states have more money to spend on infrastructure. The loan would be available nntil the end of 1995, to be repaid later from structural funds.

Commission officials expressed satisfection that these short-term palliatives to Europe's unemployment crisis had won approval. But UK officials predicted they would be watered down in ministerial meetings in the autumn.

Despite differences on how to revive growth and unemployment, EC teaders issued a strong call for a rapid lowering of European interest rates. They also gave a mandate to Mr Jacques Delors, Commission president, to continue his study on how to reverse Europe's decline in competitiveness.

Mr Delors will produce a white paper in time fur the Brussels summit in December. Meanwhile, member states will submit ideas on how to cure "Eurosclerosis" to the Commission before September 1.

The Copenhagen summit signalled the opening shots in what will be a divisive debate on why Europe is failing to create as many jobs as Asia and the US. Britain is calling for a fundamental rethink of the EC's approach to job creation, stressing more flexible labour markets and lower social costs for businesses: other EC states are adamant that Europe's social net remain intact.

Some EC officials predict that the Delors white paper will be similar to that which launched the single market in 1985, which drew up almost 300 directives or laws. The present initiative is very different: the Commission's goal is to play a co-ordinating role rather than set detailed rules for member states to act.

Officials believe the EC "umbrella" provides cover for countries like Italy and Spain to take unpopular measures; but the opposite is true for the UK, where industrialists and politicians continue to jib at what they view as unnecessary interference from Brussels.

Communique stresses unemployment and security issues

THE following are extracts from the final summit declaration:

The European Council gave special attention to, on the one hand, action aimed at tackling the economic and social problems faced by the Community and particularly the unacceptably high level of unemployment and, on the other hand, to the wida range of issues relating to peace and security in Europe.

Growth, compatitiveness and unamployment: Tha European Council is deeply concerned about the present unemployment situation and the grave dangers inherent in a development where an increasing number of peopla in the Community are becoming permanently detached from the labour market. The European Council pledged the determination of the Community and its member states to restore confidence through tha implamantation of a clear strategy – covering both the short term and medium-to-long term – to restore sustainabla growth, reinforce tha competitivaness of European induatry and reduca unemployment.

Monetary and exchange rate policy: The European Council agreed on the overriding importance of creating tha budgetary and economic conditions for rapidly bringing interest rates in Europe down, thereby narrowing the axisting gap between interest rates in Europe and interest rates in other major industrial countries.

The European Council recallad that the exchange rate policy of all member states is a matter of common intarest. It underlined tha essential role to be played by the European Monetary Institute in this area. It invited the Commission to present proposals on all the necessary implementing measures relating to the second staga of economic and monetary union, so that they can be adopted by the Council as soon as possibla after entry into force of the treaty and before 1 January 1994.

Gatt: The European Council underlined the need for the Community to continue to play an active part in achieving further progress whila preserving tha European identity throughout the negotiations.

Tha European Council stressad that it was essential to relaunch the multilateral process in Geneva as soon as possibla on all topics, including agriculture, in order to complete a comprehensive, durable and balanced agreement before the end of the year.

Early identification of the main elements of a large market eccess component and real progress on servicas and intellectual property, including contributions from all Gatt partnars, would halp to maintain momentum and pave the way for the conclusion in time of the final package.

Enlargement: The European Council took note of progress in tha enlargement negotiations with Austria, Finland, Sweden and Norway. It recalled that the negotiations will, to the axtent possibla, be conducted in parallel, whila dealing with each candidate on its own merit.

The European Council is determined that the objective of the first enlargement of the European Union laid down by the Lisbon and Edinburgh European Councils should become a reality by January 1 1995.

Relations with the associated countries of central and eastern Europe: The European Council welcomed tha couregaous efforts undertaken by the associated countries to modernise their economies, which have been weakened by 40 years of central planning, and to ensure a rapid transition to a market economy. The Community and its member states pledge their support to this reform process.

Tha European Council today agreed that the associated countries in central and eastern Europe that so desire shall become members of the European Union. Accession will take place as soon as an associated country is abla to assume the obligations of membership by satisfying the economic and political conditions required.

Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitiva pressure and market forces within tha Union.

Russia: The European Council is looking forward to continuing the close co-operation with Russia in the political field and to jointly contributing to the solution of international crises. This is seen as an essential contribution to peace and stability in Europe and the world.

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Bundesbank gives optimistic forecast

By Christopher Parkes in Frankfurt

THE Bundesbank yesterday tried to ease pressure on the D-Mark with an upbeat assessment of German economic prospects. There were also some favourable indicators in the key factors influencing the bank's monetary policy, Mr Hans Tietmeyer, the central bank's vice-president, told bankers in Münster.

But he tempered his optimism with a warning that if the government came up with wrong or unconvincing solutions to the country's deficit difficulties, the currency might suffer from "over-reactions" in money markets.

The economic situation was serious, but there was evidence that the pace of decline was over-stated, he said. "Free fall" was out of the question.

Although output fell 3 per cent year-on-year in the first quarter, there were now signs that the situation was stabilising, he claimed. Industrial production had not fallen further, and foreign orders had risen.

Meanwhile, growth in the M3 money supply measure was "rather flatter" than a little while ago, and there were signs that inflation would slacken as the year continued, he said.

Nevertheless, the bank had to assess these developments carefully, and proceed cautiously with further monetary relaxation. Money supply must remain the dominant factor in its deliberations, Mr Tietmeyer added.

His speech reflected the dilemma facing the central bank's policymakers. On the one hand, the weakening of the German currency - partly as a result of the recession - militates against interest rate cuts. On the other, the bank appears to believe that conditions which will allow a resumption of its monetary easing – to aid economic recovery – are improving.

But Mr Tietmeyer made plain that the key to resolving the dilemma lay outside the Bundesbank. "The limited recent weakening of the D-Mark should be read as an indication of the need for convincing solutions to Germany's home-made problems," he said.

The bank's "stringent" policies had helped prompt a re-thinking process. "The more this process produces concrete and binding decisions, the greater the room to manoeuvre on monetary policy," Mr Tietmeyer added.

The Bundesbank is studiously monitoring the government's attempts to cut public spending. Over-blown deficits and public sector borrowing requirements are now among the main causes of excessive growth in money supply, which the bank sees as the prime source of future inflation.

A series of small "dribbling" interest rate cuts came to a sudden stop last month after M3 was found to have lurched through the bank's upper target range in April. Growth slowed slightly again in May to 6.7 per cent annualised, and if it is found to have fallen within the 4.5 per cent to 6.5 per cent range this month, the bank's main condition for more cuts will have been met.

However, if there are no signs of spending restraint, economic data worsens and the D-Mark weakens, further progress will be put in doubt. The Bonn cabinet is due to finalise a package of spending cuts by the end of this month.

Germany's hauliers condemn EC plan

By Quentin Peel in Bonn

LONG-DISTANCE road hauliers in Germany yesterday issued an angry condemnation of the move to deregulate the European Community road haulage market, and warned that it would unleash "ruinous price competition".

In a statement issued three days after the agreement reached by EC transport ministers in Luxembourg, the German national federation of road hauliers said much cheaper road transport charges would lead to a big switch in goods from rail to road transport, with serious environmental consequences.

The hauliers are concerned that the agreement will lead to intense price competition in Germany, where the market is dominated by small and medium-sized businesses which could be undercut by larger and more efficient European operators.

The long-distance road hauliers said that the tax burden on German operators would almost certainly be aggravated.

The Luxembourg agreement aims at the effective deregulation of the EC road haulage market by 1998, with any EC operator allowed to tender for business in other member states.

In exchange, Germany, the Benelux countries and Denmark have agreed to introduce a regional *vignette* (tax disc) for cross-border lorries, to help equalise the tax burden between them.

German defence minister Volker Rühe (left) and UN under-secretary general Vladimir Petrovsky in the constitutional court in Karlsrühe yesterday for a hearing on German troop deployment

German UN role defended

By Quentin Peel

THE German government and the United Nations' top official in Europe joined forces yesterday to counter an attempt in the country's constitutional court to order an immediate withdrawal of German troops from UN operations in Somalia.

Mr Volker Rühe, the German defence minister, said such a move would cause grievous damage to Germany's international reputation. Mr Klaus Kinkel, the foreign minister, said it would have "catastrophic effects" on the morale of the German soldiers.

They were backed by Mr Vladimir Petrovsky, the former Soviet deputy foreign minister, who is now UN under-secretary general in Geneva. He declared that the involvement of German troops in the Somalia operations was of the greatest importance for the UN mission, and for the restoration of peace in the country.

Mr Petrovsky was standing in for Mr Boutros Boutros Ghali, the UN secretary general, who had offered to give evidence in the constitutional court when be arrives in Germany for an official visit today. In the event, the hearing finished last night and a ruling is expected by tomorrow. The big guns were called up in defence of the peace-making mission, after leaders of Germany's opposition Social Democrats (SPD) yesterday demanded the immediate withdrawal of the German troops, on the grounds that they were part of a military operation.

The SPD claims that such a use of the army outside the Nato area is excluded by the constitution. The SPD has called for a ruling by the constitutional court in Karlsrühe to recall the 250 soldiers already stationed in Somalia. Mr Rühe retorted that the men were in less danger than those flying supply missions to former Yugoslavia.

Spain's INI hails deal with the unions

By Tom Burns in Madrid

SPAIN'S loss-making public sector industrial holding company claimed yesterday it had signed a breakthrough agreement with unions that will control inflationary wage agreements and break down rigid job classifications.

The three-year agreement negotiated by the Instituto Nacional de Industria, INI, comes in the wake of a surprisingly strong stand at the EC's Copenhagen summit by Mr Felipe González, the prime minister, in favour of salary moderation and of deregulating labour markets to combat economic recession.

INI's agreement with the unions holds 1993 wage increases for some 70,000 steel workers below the inflation rate and pegs them to the rise in the cost of living for the next two years.

Last year INI's steel workers were awarded wage increases of more than 6 per cent, at least 1.5 per cent above the inflation rate.

The agreement also introduces flexible working conditions by cutting through rigid job demarcations and establishing the principle of a multi-skilled work force on the shop floor. Such work practices already exist in the private sector, notably in the car industry, but had so far been resisted in state enterprises.

A further feature of the agreement is a new in-house arbitration process to settle labour disputes.

Department set up to oversee agreements

Treuhand to tighten up control of contracts

By Judy Dempsey in Berlin

THE Treuhand, the agency charged with restructuring and privatising eastern German industry, is setting up a department aimed at tightening control and supervision over the implementation of purchase contracts.

Mr Hero Brahms, vice-president of the Treuhand, who will oversee a department of 350 to 550 accountants and lawyers, said it was crucial to introduce greater accountability into contracts signed between the Treuhand and investors since it was set up in late 1990.

"We have to make sure that the investments the Treuhand have earmarked for environment clean-up, for instance, are honoured by these enterprises," he said at a press conference in Berlin yesterday.

"Moreover, we have to monitor that investment commitments and job guarantees undertaken by purchasers are also implemented."

Since late 1990, the Treuhand has signed more than 40,000 contracts, including sales of real estate. Most of the contracts are anchored on two principles: guaranteeing a certain number of jobs coupled with investment programmes spread over several years by the purchaser. Under these contracts, the Treuhand has secured DM179bn (£71.8bn) investment commitments, and 1.46m job guarantees. Privatisation receipts are less than DM50bn.

'Some investors have found they are dealing with outstanding claims on property rights'

Few Treuhand officials, however, are prepared to forecast how many workers will lose their jobs in these privatised industries once the contracts end. The proportion of unemployed, including those in part-time work, or on job creation and training schemes is more than 30 per cent in each of the five east German states.

So far, 3,000 enterprises have asked the Treuhand to amend the contracts. But Mr Brahms said most of these amendments were minor. "Some investors found that they had to retrospectively deal with outstanding claims on property rights, and others have asked for reductions of guaranteed work places of between one and 10 employees. The contracts were unclear. These problems are manageable," he said.

Of that number the Treuhand yesterday said it was renegotiating 400 contracts, or 1 per cent of the agency's total amount. Some involve non-payment by German and foreign companies, mismanagement of Treuhand grants, corruption, and enterprises facing difficulties caused by the collapse of the markets in eastern Europe.

But Mr Brahms insisted that the Treuhand would not take back any of the enterprises. "Our job is to privatise. Taking back any enterprise would set a very bad precedent," an agency official said.

The Treuhand has already started monitoring 6,405 job guarantee contracts concluded in 1992, which secure 411,519 jobs.

Of those, Mr Brahms thought fewer than 8,000 jobs would not have been honoured.

However, the system of penalties whereby the enterprise would have to compensate any job losses outweighed any short-term advantage in cutting the workforce.

Reformers in Russia seek new identity

By Leyla Boulton in Moscow

LEADING Russian reformers are trying to create a broad alliance of reformist parties to counter-balance tha reinvigorated Communist party ahead of elections in the autumn.

Despite impressive permutations of western words such as "republican", "democratic", and "liberal", most of Russia's 105 registered parties are little more than the expression of individual politicians' personal ambitions to lead parties.

This has made it virtually impossible for them to merge over shared ideas. In contrast, the Commuoist party, strengtbened by 70 years of trsdition, has been quick to rebuild itself after its unbanning by the constitutional court.

Some of President Boris Yeltsio's close colleaguas announced the formation of a political bloc called Russia's Choice last week in an attempt to compensate for their failure to produce a long-promised presideotial party.

Mr Yegor Gaidar, the former prime minister who launched radical reforms last year, is trying to build a power base around the Association of Privatised and Private Enterprises which he heads. Its aim is to help organise and finance candidates for a "reformist anti-inflationary parliament" as well to defend the interests of privatised enterprises on a day-to-day basis.

"The idea is to unite people who bave been disagreeing with each other even though they share the same interests,", said Mr Gaidar, whose association is likely to join the pro-Yeltsin bloc. Its political and economic programme is due to be published next month.

However, not all the groups will necessarily pull together. At the weekend, Mr Grigory Yavlinsky, the prominent economist, presided at the founding of a group called "Entrepreneurs for the Renewal of Russia" at which he presented a list of demands for changes to make the government's market reforms more credible.

What all three groups have in common is their reliance on Russia's newly powerful entrepreneurs for money and support.

Where members include factory directors, their influence is seen as crucial in obtaining the votes of their workers. The leaders' ultimate goal is to have their own political base when the time comes to replace President Yeltsin in presidential elections further along the road.

Many entrepreneurs and managers now being wooed are naturally keen that the new parliament should be pro-business and pro-private property.

US plans for a $4bn (£2.6bn) privatisation fund for Russia will be scaled back to about $500m at the Tokyo summit of the Group of Seven leading industrialised countries, Mr Kabun Muto, the Japanese foreign minister, said yesterday, writes Charles Leadbeater in Tokyo. The US launched the idea, without warning, at the April meeting of G7 foreign and finance ministers in Tokyo. Since then, US officials had suggested they were making headway in persuading other members of the G7 to contribute to the fund in spite of the deep scepticism among Japan, Germany and Britain.

Mr Muto said in a speech in Tokyo thet the idea of a $4bn fund was preposterous. Ha added that Japan would oot contribute any new money to a smaller fund because of its territorial dispote witb Russia over the four Kurile islands.

But Mr Viktor Korovin, the 40-year-old director of Uralmash, a recently privatised flagship of heavy industry which is a member of Mr Gaidar's association, summed up a widespread scepticism about tbe politicians.

"I want the new parliament to be as depoliticised as possible," he said, referring to the over-politicised nature of Russian life.

For the time being, there appears to be no limit to what can be turned into a party. One of the stranger offshoots of the new trend was the announcement by tbe deputy prime minister, Mr Sergei Shakhrai, that he was setting up a party to represent regional interests and press for the creation of a genuine federal state.

As President Yeltsin's adviser on nationalities, he has set himself the impossible task of rallying 89 regions and republics whose only common aim is to extract as much cash and power from Moscow as possible.

Although the constitutional convention, which reconvenes on Saturday, is unlikely to finalise a new democratic constitution, politicians are expecting it to at least come up with an electoral law.

This is because new elections are seen as a panacea for Russia's troubles, ushering in a new parliament which would both actively support radical reforms and approve a new constitution.

Although it is not yet clear whether Russia will opt for a first-past-the-post electoral rule or a mixed system involving some proportional representation, the main obstacle faced by reformist forces is the absence of strong parties to fill the vacuum left by the once-monolithic Communist party.

Oilmen ignore Azerbaijan risks

Foreign oil companies are taking political turmoil in their stride, writes Steve LeVine

EIGHT foreign oil companies yesterday took Azerbaijan's political crisis in their stride and advanced $70m (£46.6m) in good faith money to keep negotiating for the right to develop the Caspian Sea republic's oil fields.

The advance adds to the tens of millions of dollars which the companies, including British Petroleum, Amoco and Pennzoil, have already paid out to the Azeri government in cash and in kind for the right to negotiate to exploit the country's estimated recoverable offshore oil reserves of at least 4bn barrels. Pennzoil, for instance, has already given the Azeri government the equivalent of about $90m in natural gas production equipment and pipeline.

Senior oil company executives began meeting Azeri officials in London this week for what they hope will be the advanced stages of talks on exploitation rights which have dragged out for more than a year.

By proceeding with the talks and paying out the collective ante, the companies – after long reflection – have implicitly decided that the economic risks of staying in Azerbaijan were outweighed by the potential billions to be earned in oil fields already proven to be substantial and easy to exploit.

"Seventy million dollars is a lot to you and me, but it's not that much to the companies," said one executive. "The real money is the billions it will take to actually develop the fields." Another oil company executive said: "The potential bere is so high. There's never been a hole sunk here that didn't hit oil."

Soldiers loyal to Azerbaijani rebel leader Surat Husseinov advancing to the outskirts of the capital, Baku, yesterday

Azerbaijan's latest bout of political instehility began on June 4 when a rebel military warlord, Mr Surat Husseinov, seized the country's second-largest city, Gyanja, and demanded President Abulfaz Elchebey's resignation.

The president has since fled the capital and taken political refuge in his home village and some of Mr Husseinov's men have entered the capital, Baku, while others have dug in outside the city.

Mr Husseinov has declared that he is ready to step into Azerbaijan's political vacuum to run the country.

This power vacuum leaves the oil companies with no-one with enough authority to sign a deal. As the eventual contracts must be ratified by parliament, the political chaos also makes it unclear whether or when there will be an effective legislative body to endorse the deals.

The companies hava not taken the situation lightly. Pennzoil, for example, has sent 85 of its 88 expatriate employees out of tbe repnblic, and many of the other companies have followed suit. But the overall belief seems to be that, in the long term, the Azeri republic will stabilise and that, with hard currency infusions from foreign investors such as themselves, economic prosperity will calm the situation further.

'The potential in the former Soviet republic is so high. There's never been a hole sunk in Azerbaijan that didn't hit oil'

Yesterday's payment represents one-third of $210m that the companies must eventually pay up as a *signing* bonus to the cash-poor former Soviet republic.

The money is the companies' financial contribution to a new Azeri oil development plan that was announced in the capital last month.

Originally Amoco, Pennzoil and BP were negotiating to develop three of Azerbaijan's oil fields individually, with respective partners Ramco Energy, McDermott International, Statoil and Union Oil of California. Now, however, all the oil companies have decided to negotiate as a group to develop the three fields.

Although the details of a work plan have not been finalised, each company has been awarded a percentage of the "unitised" group, which will comprise its portion of development costs and its eventual profit.

BP-Statoil has the largest share (36 per cent) and had to pay out $25m yesterday. Amoco, which contributed $17m, has the next highest investment which totals 24.3 per cent.

Pennzoil has 14 per cent and paid $9.8m and Unico paid $11.2m for its 16 per cent share.

Besides their own individual projects, tbe companies have an additional large expense to consider – a pipeline they must build to carry some 800,000 barrels of oil a day to the west.

The companies have considered several pipeline routes, but appear to have all hnt decided on one passing through Turkey with a terminal on the Mediterranean, according to executives at two of the companies.

The $1.4bn pipeline would go through Azerbaijan and split into two at the border with Iran.

One loop would then go through northern Iran and another through Armenia before joining again in the ex-Soviet Nakhichdvan region and finally entering Turkey.

"That way neither Iran nor Armenia can hold us hostage," an oil company official said.

At Erzurum, the pipeline would lead into an existing Iraqi pipeline that was closed because of the 1990 Kuwaiti invasion.

Rebel warlord keeps up pressure

By Steve LeVine in Baku

ONLY A DAY after a rebel military leader announced he was ready to step into Azerbaijan's political vacuum and assume power, several of his men have entered the capital of Baku.

Fresh negotiations have been launched to try to end his revolt but it is becoming clear that the republic's acting leader, Mr Gaidar Aliyev, is losing control of the situation.

The rebel warlord, Mr Surat Husseinov, has a 50-man regiment dug in on Baku's southern outskirts, with three tanks pointed towards the capital.

Several of his men were seen inside the capital yesterday afternoon but their motives were unclear. The capital seemed peaceful and there was no apparent tension despite Mr Husseinov's warning on Monday that he might decide to take power.

The parliamentary chairman, Mr Aliyev, who has served as the repnblic'a de facto leader since the elected president, Mr Abulfaz Elchibey, fled and secretly took refuge in his home village last week, said yesterday that he was still discussing Mr Husseinov's demands.

Privately, Mr Aliyev told foreign diplomats on Monday that Mr Husseinov was demanding to be made president or prime minister. He also wanted to be given effective control over the important ministries of defence, interior and state security, or KGB.

Estonia proudly wears its kroon of thorns

Philippe Legrain on the first ex-Soviet republic to dump the rouble and beat inflation – but at a price

AFTER a turbulent year when a handful of former Soviet republics has followed Estonia's lead, the small Baltic country has just marked the first anniversary of the introduction of its own currency, the kroon.

Estonia, less than twelve months after achieving its independence, became the first state emerging from the Soviet empire to dump the plummeting rouble and issue its own money on June 20 1992.

The Ukrainian coupon has lost its value even faster than the Russian rouble, but Estonia has succeeded in curbing inflation from more than 500 per cent a year last June to less than 30 per cent now.

A World Bank report on Estonia predicts that inflation will stabilise at that level for the rest of 1993 and the International Monetary Fund is optimistic about prospects for future growth.

The kroon has also maintained its peg of eight to the German D-Mark despite a doubling in prices since its introduction.

This is not as remarkable an achievement as it might first appear: Estonia operates a currency board system, whereby every kroon in circulation is backed by foreign currency reserves, swollen by loans and aid from the west, and 11.3 tonnes of gold, retrieved from the pre-war independent republic's deposits in foreign central banks.

Although state companies still receive large subsidies to delay the inevitable labour shake-out, the budget is in broad balance. The money supply is further limited by a healthy distrust among business and ordinary people of banks (three of the largest banks failed last November) so that the banking system plays only a small role in money creation.

Inflation persists, however, as the money supply has been boosted by foreign aid and investment and because gross national product slumped by more than 20 per cent last year to about $1bn (£665m). With more money chasing fewer goods, prices have risen.

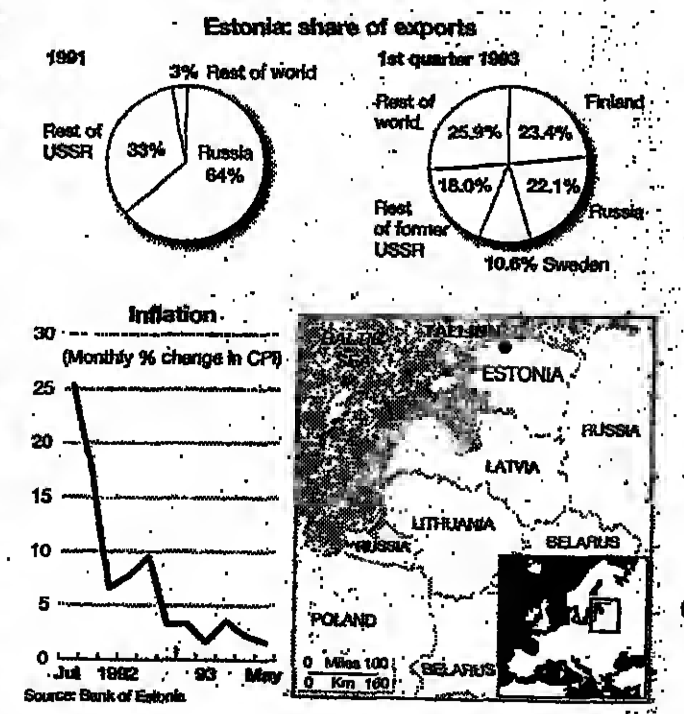
The kroon's "hard currency" status – viewed as a symbol akin to manhood by Estonia's inexperienced central bankers – comes at a price, however. Shops in the capital, Tallinn, stocked full of overpriced Scandinavian luxuries, testify to an import binge the economy can ill afford.

Although trade has been redirected from east to west, with Finland overtaking Russia as Estonia's main trading partner last September, exports, which had grown explosively after the introduction of the convertible kroon, have recently fallen back. The trade account slid into a deficit of EKr63m (£4.2m) in April, even without counting the substantial natural gas imports through pipelines from Russia, which are difficult to measure.

Estonia is also increasingly uncompetitive for foreign investment, on which its future development depends. Its main attraction, a relatively cheap, skilled workforce, has faded following a doubling in wages in dollar terms over the past year.

The privatisation programme proceeds in fits and starts. An initial international tender of 38 large companies last November was aborted after allegations of incompetence at the privatisation agency.

A second offer of 56 enterprises was made in May. Vouchers to be used in the purchase of smaller companies have been distributed. But only $8.6m of an estimated total of $500m of state assets due to be sold off have been transferred to the private sector, and the sale of land to foreigners is severely restricted.



Safety move starts row on whose rules rule the waves

EC plans for safer seas have prompted concern about regional regimes on top of globally accepted conventions, writes Richard Tomkins

YOU WOULD have thought nothing could be controversial about improving safety at sea – particularly in the light of public anxiety over a spate of oil tanker accidents in European waters.

Yet the European Commission has found itself in a row with the shipping industry over its plans to introduce a series of measures aimed at eliminating sub-standard vessels and crews from the Community.

Concern about safety has been triggered by three recent tanker accidents in Community waters: the grounding of the Aegean Sea off the Spanish coast in December, the breaking up of the Braer off the UK coast in January, and the collision involving the British Trent off the Belgian coast earlier this month.

As things stand, the safety rules intended to prevent accidents such as these are laid down by the International Maritime Organisation, a United Nations agency, through a framework of internationally accepted conventions and protocols.

Even before the spate of European accidents began, however, the Commission had been considering independent action to toughen up on maritime safety within the Community: within days of the British Trent collision, EC transport ministers had put their names to a proposed common policy on safe seas calling for EC legislation to improve shipping standards.

Examples of the measures planned are the development of common criteria for more thorough inspections of ships when they are in port, together with criteria for detaining or refusing access to ships which do not meet international standards; common standards for the classification societies which guarantee vessels' seaworthiness; minimum standards of training for crews; and better reporting systems for vessels carrying dangerous or potentially polluting cargoes.

On the face of it, European shipowners might be expected to welcome the measures. After all, EC member states tend towards the upper end of the global league table when it comes to maritime safety, so tougher standards will operate to the advantage of EC shipowners by hitting their low-cost, low-standard competitors.

According to Mr David Tomlinson, secretary general of the Council of European and Japanese National Shipowners' Associations, the measures also come at a time when the industry is keen to improve its tarnished image.

"Responsible shipowners everywhere believe safety standards have slipped," Mr Tomlinson says. "There is a recognition that things have not been as good as they should have been, and that everybody ought to pull their socks up."

Nevertheless, shipowners are acutely concerned over the EC safe seas policy – not because they are at odds with the sentiments underlying it, but because of where it is coming from.

The shipowners stress that shipping is a global industry, not a regional or local one, and therefore has to operate within the parameters of a globally-agreed set of rules. If national or regional governments start imposing their own sets of rules for vessels operating in their waters, they say, the result will be chaos.

The International Chamber of Shipping, which speaks for the national shipowners' associations of the world's biggest maritime nations, says it is "desperately keen to avoid" any suggestion that a regional regulatory regime should be interposed on a body of globally-accepted conventions.

Mr Chris Horrocks, the chamber's secretary general, says shipowners are at present required to conform to a set of global regulations which are as acceptable in, say, Argentina as they are in Australia. "What they do not want to find is that they are suddenly having to cope with marginally different regimes which make it a matter of uncertainty as to whether they are in compliance with the law in country A, B or C."

EC transport ministers who support the safe seas policy, such as Britain's Mr John MacGregor, say this is to miss the point of the proposals. The idea is not to set new standards, they say, but to introduce more rigorous enforcement of the existing ones. The policy goes out of its way to stress the importance of operating within the framework laid down by the International Maritime Organisation, the commission says.

The shipowners, however, are far from convinced. Mr Horrocks detects the hand of ambitious "Eurocrats". "It's an attitude of mind coming down from Brussels that we find extremely worrying."

The commission is hoping to get its policy enshrined in legislation by the end of the year, but it has already had to tone the contents down in response to the shipping industry's anxieties. If shipowners get their way, the policy will be torpedoed.

NEWS: WORLD TRADE

Face change, US steelmakers told

By Andrew Baxter

THE big integrated US steel companies and their unions were accused yesterday of being resistant to change, and told that protectionism was not a solution to their problems.

Mr Brian Moffat, cbairman and chief executive of Britisb Steel, speaking at a steel conference in New York, said the US integrated steel industry "puts me In mind not of the dinosaur, to which it ls often compared, but rather the ostrich."

He said movements in competitive positions based nn cost/price relationships and excbange rate swings, along with new technology, sbould by now have led to a fundamental reassessment by US integrated steel of its position in the market place.

"Instead," be said "there bas been a tendency to push the blame for the growing problems onto some external agency, tbe curbing of which might facilitate a return to prosperity. This comfortable response allows companies to avoid facing up to the necessity of change, and to defer their problems for tbe time being."

Mr Moffat's speecb comes a day after he criticised continulng state subsidies for steelmakers in Spain and ltaly, and urged tbe European Commission to press ahead with its restructuring plan for the European steel industry.

Mr Moffat said the US provided a good example of the problems which arise from recourse to protection. Imports' share of the US market had risen by 6 percentage points to 18 per cent over the period from 1973 to 1992, in line witb tbe worldwide trend towards expansion of trade.

Yet in the same period the US integrated producers' share of the US market bad fallen by 29 percentage points to 33 per cent.

Tbe beneficiaries had been tbe minl-mills, up 16 percentage points to 22 per cent, and the "reconstituted mills" – companies reorganised under Chapter 11 bankruptcy proceedings and management buy-outs, whicb now take 27 per cent of the market.

Mr Moffat said that, while be did not dispute the right of countries to take action against genuinely unfair and injurious imports, "I strongly believe that the General Agreement on Tariffs and Trade should play an increasingly important role in the determination of sucb decisions."

He suggested industry should enter into a multilateral steel agreement, wbich would underpin the elimination of subsidles, encourage privatisation and result in less government interference. "Anti-dumping actions and subsidies are merely delaying actions. They will not solve the problems tbe industry faces."

Some bend in a hard market debate

Some of the heat has come out of the clash over steel sales, writes Andrew Baxter

Trade across Europe

THERE is a giant witb bis foot in tbe door, says Mr Ruprecht Vondran, president of the German Steel Federation. He has already overturned a few chairs, but that should not prevent us from inviting him in and offering him a seat.

We should take care, however, that "he does not bring the roof down, or even the whole house to tumble around our ears".

Mr Vondran's colourful language, in a recent speech in Berlin, was a reference to imports of steel from the former Comecon countries, a giant of the world steel industry with more than 210m tonnes of crude production capacity.

Yet, after two years of east-west recrimination and amid continuing recession in the European steel market, it now looks less likely that the house will tumble down.

About three-quarters of the old eastern bloc's steel production is in the former Soviet Union, but it is the remaining 56m tonnes, largely in Romania, Poland and the Czech and Slovak Republics, that is being blamed for adding to the problems of German and other western European steel companies in the past two years.

The European Community's trade balance with the former Comecon countries has shifted from a deficit of 400,000 tonnes in 1989 to nearly 4m tonnes last year. More than 80 per cent of the 4.8m tonnes exported to the leading western buyer countries goes to the EC and countries of the European Free Trade Association.

Last year, about 380,000 tonnes of steel a month reached the EC from the old Comecon countries, with the former Czechoslovakia and the Commonwealth of Independent States accounting for about 250,000 tonnes in total, and the rest shared in descending order by Poland, Hungary, Romania and Bulgaria.

Imports from the eastern countries to the EC generated considerably more heat than might seem justified by the market share they took last year – just 3 per cent.

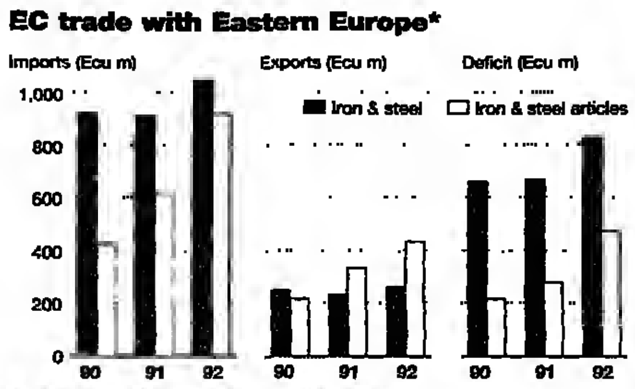
But western producers complained loudly that unfairly subsidised eastern European steel, mainly long products such as reinforcing bar for concrete, merchant bars and wire rod, undercut the price of western equivalents and further destabilised an already weak market.

Whatever the merits of the case, there is little doubt that exports to the EC have provided a lifeline for the eastern producers. Mr Jeremy Fletcher, an independent steel consultant, says the east European producers have seen domestic demand for steel fall sharply, but have been more affected by a breakdown in the financial system which means customers cannot pay for steel.

On top of that, steel prices have been kept artificially low in domestic markets to enhance the competitiveness of the customer base in industry.

Consequently, the western European market and prices look attractive. More than that, however, exports to the EC have generated cash that has been reinvested in the east's nascent modernisation efforts. "That's a very good thing," says Mr Fletcher, "as it is saving the west a lot of money."

EC trade with Eastern Europe*



*Bulgaria, Czech and Slovak republics, Hungary, Poland, Romania
Source: Eurostat

Although ceilings are being placed for three years on imports of Czech wire rod, and various hot- and cold-rolled steels from the Czech and Slovak republics, the prevailing trend is towards free trade.

It is clear both western and eastern producers have taken note of the political realities in Brussels, which is unwilling to block eastern producers out of their closest export markets – because of the wider issues involved for the fledgling democracies – and yet painfully aware of the western producers' problems.

But the approach of the eastern producers has also changed. "In the first two years they were so naive, selling at prices so far below the market that they were not getting the full benefit," says Mr Fletcber. "Now they are getting better revenues and profits from limited volumes."

Steel imports from eastern Europe to the EC are likely to continue to rise, but not greatly, experts say. "I can see tbem steadily increasing over the next few years, although not to 10m tonnes or anything like that," says Mr Peter Fish, managing director of tbe Sbeffield-based steel consultancy Meps Europe.

From 1994, he says, tbe relationship will be mucb like that between the EC and Efta countries – "living togetber In slightly different trading blocs, making agreements and then getting on witb it," he says.

But, for at least the next five years, the casb generated from sales in Europe will remain crucial to financing the eastern producers' moves to raise efficiency, close tbe most outdated capacity and wean themselves from indirect subsidies such as cbeap ore.

That modernisation process still has a long way to go, and has gone furthest in Poland and the Czech and Slovak republics. But western producers and spokesmen such as Mr Vondran see the process as a crucial *quid pro quo* for allowing eastern companies a foot in tbe door at home – and eventually forging the two industries into one.

There will be further articles on trade between eastern and western Europe in coming weeks

Japanese reassure on trade meeting

By Michiyo Nakamoto in Tokyo

JAPANESE officials were optimistic yesterday tbat recent political turmoil in Japan would not upset trade talks taking place in Tokyo from today.

Mr Yoshiro Mori, minister for international trade and lndustry, said yesterday that wbile the government was divided on political reform, there was no fundamental disagreement over trade policy.

Trade ministers from the US, Canada, the EC and Japan are meeting in Tokyo for two days of talks designed to spur tbe stalled Uruguay Round of tbe General Agreement on Tariffs and Trade.

The conntries are aiming for agreement on market access, centring on mutual elimination and harmonisation of tariffs, by tbe end of the year.

Mr Peter Sutherland, newly appointed director general of Gatt, said earlier this montb that failure to agree on market access In Tokyo could sink prospects for conclnding the Round.

Mr Mori indicated that market access agreements on sucb issues as tariff rednctions for Japanese processed farm products, for example, were not likely to ccme now.

According lo a government official close to the talks, tbere is only limited Japanese scope for furtber tariff cuts in two contentious areas – distilled spirits and forest prodncts.

Japan has implemented a 50 per cent reduction in tariffs on distilled spirits since tbe Uruguay Round talks were started ln 1986. "Importers bave increased market share and tbe Japanese indnstry is not In a strong sltuation so it is difficult to talk about a zero-for-zero option," tbe official sald.

On forest products, the Japanese also believe they have made substantial concessions in a bilateral agreement witb the US, made on tbe understanding it would be part of the Uruguay Round. "We feel tbat we cannot go mnch furtber," the official said.

NEWS IN BRIEF

EIB loan boost for Portuguese

THE European Investment Bank and the Lisbon government have signed contracts for Es85.5bn (£400m) in loans to Portugal for use in industry, energy and infrastructure projects. Peter Wise writes from Lisbon.

The main Es55.7bn loan will go to AutoEuropa, the Es300bn Ford/Volkswagen joint venture that will begin manufacturing passenger vehicles in southern Portugal in 1995.

Two loans totalling Es17bn will be used to finance small and medium-sized companies in industry, industrial services and tourism. Two otber loans of Es6bn each will finance roads. Among other loans, one of Es5.7bn will be used to improve energy facilities on the Azores islands.

The loans bring total ElB lending to Portugal in 1993 to Es137bn. But other approved projects are expected to lift the total to Es330bn.

Kamaz hunts for partner

Kamaz, Russia's biggest truck manufacturer, said yesterday it bad obtained promises of Rbs30bn in cbeap state credits to rebuild an engine plant destroyed by fire, but was still looking for a foreign partner to invest about $200m. Leyla Boulton reports from Moscow.

The group, one of the first to be privatised in the former Soviet Union, said it wanted to restore balf tbe old engine-producing capacity to bow it was wbile replacing the other half with a foreign joint venture producing a new type of diesel engine.

Mr Leonid Komm, finance director, said in an interview tbe company was examining proposals from leading western diesel engine manufacturers. This includes Cummins of the US.

Estimating tbe cost of the new plant it wanted to build witb foreign partners at $200m-$500m, Mr Komm admitted that raising the finance was the biggest problem.

Witb western banks wary of fresh lending to Russia, Mr Komm said Kamaz was counting on loan guarantees from western governments to clincb a deal.

Canberra criticises beef tariff

Australia is to lodge a complaint with Gatt over Canadian moves to impose a 25 per cent tariff on Australian beef imports. Emilia Tagaza writes from Melbourne.

The tariff, whicb will be in effect for tbe rest of 1993, was imposed after tbe Canadian International Trade Tribunal found tbere was a potential threat to the Canadian industry if beef imports continued at current levels.

Canada is Australia's fourtb biggest and fastest growing beef market. Sales were expected to reacb A$150m (£67.5m) this year.

The Australian Meat and Livestock Corporation had earlier challenged the tribunal finding and had lodged an appeal with the Canadian court of appeal.

Canada and Australia are key members of tbe Cairns group of agricultural exporters lobbying against protectionist moves.

Vickers tank contract signed

Tbe first export contract for Britain's new Challenger 2 tank was signed in Oman yesterday following an initial agreement by Mr John Major, the prime minister, during a visit to the sultanate in January, writes David White, defence correspondent.

The contract with Vickers is believed to be worth about £140m including logistic support.

In addition to 18 battle tanks, Oman will receive two trainer tanks, four repair and recovery vehicles, nine tank transporters and four Alvis Stormer armoured combat vehicles. A follow-on order of similar size is expected later.

NEWS: THE AMERICAS

US tobacco groups sue over report

By Nikki Tait in New York

PHILIP MORRIS and RJR Nabisco, the two largest US tobacco companies, yesterday sued the Environmental Protection Agency, claiming its report on the dangers of passive smoking was unscientific, "arbitrary" and "capricious".

The companies claimed the agency reached its conclusion that environmental tobacco smoke (ETS) was a cancer-causing substance "only by manipulating and cherry-picking data, ignoring critical statistical studies and chemical analyses, failing to account for confounding factors and sources of bias [and] violating basic statistical principles".

Their suit, which is backed by other industry groups, also argued that the EPA's scientific guidelines were violated.

The legal action follows a high-profile EPA report, published in January, which classed ETS as a class A carcinogen. This is the most serious category of cancer-causing material.

The EPA report indicated that about 3,000 US non-smokers die from lung cancer caused by exposure to tobacco fumes each year, and that exposure to ETS increases the risk of asthma in "normal" children. It could also increase the severity of symptoms in children prone to asthma, the agency said.

A draft version of the EPA's study, published three years ago, was attacked by the industry and was sent back by a science advisory board for better justification of its conclusions.

However, since its publication the report has been used by anti-smoking activists to demand more restrictions on smoking in public places, and has almost certainly contributed to an increasingly proscriptive climate in the US.

Most states now have some restrictions on smoking in public areas.

The suit was filed with the district court for the middle district of North Carolina.

Fresh credits for Peru

PERU has won fresh credits of about $900m (£600m) from international donors as well as plaudits for the success of President Alberto Fujimori's austere economic reform programme, Reuter reports from Paris.

The credits, to support the debt-burdened country's poverty-alleviation programmes, were pledged at a two-day meeting in Paris of the World Bank's consultative group.

They are spread over two years and include $700m from donor nations and $200m from the World Bank, the IMF and the InterAmerican Development Bank.

Paris Club losing patience with Brazil

By Christina Lamb in Rio de Janeiro

CONTINUING delays in talks on a new accord with the International Monetary Fund are jeopardising Brazil's agreement with the Paris Club of official creditors.

The Paris Club agreement, for the refinancing of $21bn (£14bn) official debt, was signed in February 1992 shortly after Brazil had successfully negotiated a standby loan with the IMF – an essential condition of the deal. The subsequent collapse of the IMF accord forced Brazil to seek a waiver from the Paris Club in January, which expired three weeks ago.

The Paris Club will meet tomorrow to decide whether to grant Brazil a new waiver or declare the country in default. On Monday Mr Fernando Henrique Cardoso, Brazil's new finance minister, met ambassadors from Group of Seven industrialised countries to ask for "understanding and support" in the wake of his new economic plan.

He pointed out that a technical team from the IMF was due in mid-July to reassess the economic situation and that Brazil was still on track to complete a Brady-type deal with its commercial creditors in November.

Although Paris Club members are unhappy about Brazil's poor record with the IMF, they are thought unlikely to declare default, particularly as 11 of the 13 countries have now signed bilateral agreements with Brazil.

Venezuela's central bank keeps its head

Stephen Fidler on what happened when all around were losing theirs

VENEZUELA has this year passed through a political crisis that in times past would have brought a collapse in economic confidence and a run on the currency.

Yet despite two failed military coup attempts last year, the suspension this year of President Carlos Andrés Pérez on corruption charges and forthcoming presidential elections in December, there has been no panic flight of capital.

The credit for breaking the vicious cycle between political and economic stability is widely laid at the door of one of the institutional reforms promoted by Mr Pérez: the creation of an independent central bank whose sole focus would be on maintaining monetary stability.

The central bank's new autonomy hangs on a law that went on to the statute books on December 4. A new six-strong board was appointed by Mr Pérez on December 23. The central bank president, Ms Ruth de Krivoy, was appointed for a five-year term.

Her successor will be chosen by the president and must be ratified by a two-thirds majority of the senate. At the end of May, the bank completed its transition by withdrawing from responsibilities to provide export finance.

"The independence of the central bank has meant a profound change in the way politics and economics relate. Because we have more efficient decision making in terms of monetary policy, the central bank was able to move effectively to counteract the shock to the financial markets arising from the political uncertainty," said Ms De Krivoy in an interview.

The shock was a sharp drop in the demand for money caused by the political crisis. To counteract this and to protect the Venezuelan currency, the bolivar, the central bank raised interest rates sharply. Benchmark interest rates (on 91-day central bank zero-coupon notes) almost touched 70 per cent simple around May 19, the day before the supreme court voted that there was a case for the impeachment of Mr Pérez. More conventionally expressed in compound interest terms, assuming reinvestment, this is an annual interest rate of 90 per cent in a country where inflation is running in the mid-30s.

As a result, foreign exchange reserves rose in April and were steady during May. The reflow of capital that occurred was a break with the past, suggested Ms de Krivoy. "In the past, in an election year and with political uncertainties, our experience was that capital flows were a one-way traffic out of the country and would not have come back before the elections."

Bankers in Caracas agree that the central bank was an important bulwark against instability during the political crisis. But they criticise the bank for allowing interest rates to fall too rapidly in early May, which meant only that they had to be jacked up again sharply later in the month.

The rapid fall in interest rates suggests to some that, nominally independent though the central bank is, it is prey to political influence. As benchmark interest rates fell below 42 per cent last week, some bankers reckoned rates had again – perhaps for political reasons – been allowed to fall too far for comfort.

Some financiers believe Ms de Krivoy is walking a fine line between trying to establish the central bank's reputation as an independent agency while not exposing her own position for what it is: precarious.

Unlike her successors, Ms de Krivoy was not confirmed by the senate, and the institution has little popular support. Furthermore, according to the new central bank law, the president and the directors can be removed by the president for a variety of reasons, including "failure to perform the responsibilities of the position".

Thus while the central bank may have some independence when the executive is weak, as it has been this year, things would be different under a strong president. "If (presidential candidate Rafael) Caldera becomes president, Ruth de Krivoy will be history," said one banker. Mr Caldera, a former president offering a populist election platform, is one of two leading contenders.

Furthermore, unless action is taken by Congress to cut the budget deficit, interest rates will have to remain high for some time, intensifying already significant pressure on the central bank.

Ruth de Krivoy: admits growth this year will be low

Ms de Krivoy does not deny that high interest rates will take its toll on the economy: "Growth this year will be low." She declined to be more specific, but growth of between 2 and 4 per cent does not seem out of the question, compared with last year's 7 per cent and the 1991 figure of more than 10 per cent.

She said the central bank had taken the course that – given the political uncertainty and a budget deficit that remains a cause of concern to financial markets – it believed would minimise social costs, the impact on inflation and on international reserves.

The key to sustainably lower interest rates, according to the central bank president, is a period of political stability and action by congress to reduce the budget deficit. This ran at 6 per cent of gross domestic product last year and is expected to be 4 or more per cent this year. Tax legislation will be needed this year – a proposed partial value added tax and a corporate assets tax – to bring it down to 2 per cent next year.

Legislators differ on the probability of this going into law this year. The tax bills are likely to be included in an enabling law which congress must pass before its session ends on August 15 before the elections. This would allow the bills to be enacted by presidential decree.

In the mean time, the central bank has some communicating to do. "We have to explain that it's not just a matter of forcing interest rates to come down in a way that doesn't reflect the true situation of the country," said Ms de Krivoy.

Haiti's army leader offers talks

NEW TALKS aimed at restoring exiled President Jean-Bertrand Aristide to power in Haiti are expected to begin later this week following a "positive" response from the country's military rulers, Mr Dante Caputo, the special UN mediator, said yesterday, writes Michael Littlejohns, UN Correspondent, in New York.

Mr Caputo said a letter from General Raoul Cedras, chief of Haiti's armed forces, saying he was willing to meet Fr Aristide, "opens up possibilities for fruitful negotiations". Gen Cedras led the September 1991 coup that ousted the president.

However, a UN spokesman said sanctions against Haiti were still likely to go into effect today, despite the apparent progress. The Security Council last week ordered an oil and arms embargo against the Caribbean country but delayed its implementation pending new efforts to reinstate Fr Aristide.

NEWS: INTERNATIONAL

Enduring foe of Japan's provinces

Robert Thomson visits a once-thriving city blighted by the recession

WITHOUT much prompting, the residents of Kamaishi, in northern Japan, will vividly describe how they or their forebears rebuilt the city on the rubble of devastation wreaked by tidal waves and US wartime bombing raids.

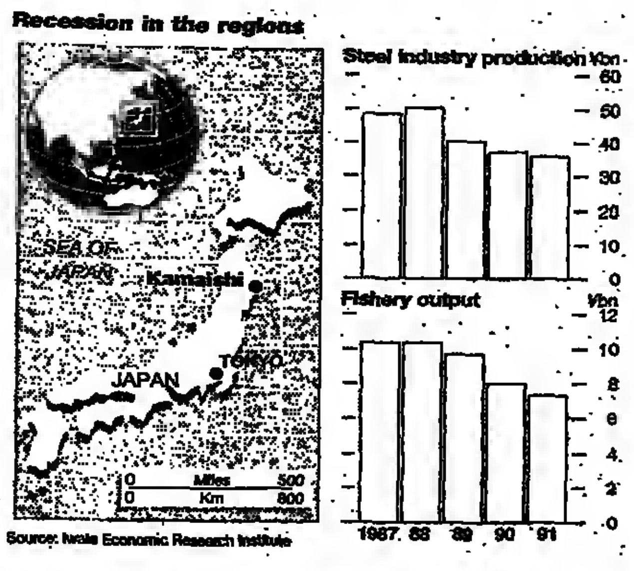
But the confidence displayed in past conflicts with calamity is being severely tested by a more enduring foe, recession. A steel plant has been gradually decommissioned, the fishing industry is in decline and, now, the local bank, Kamaishi Shinkin, is to be liquidated.

"Kamaishi Bank was like the local doctor. Now we will have to deal with the big hospitals," said Mr Morio Wada, head of the chamber of commerce. The "big hospitals" are the regional banks taking over the 12 hranches of the Shinkin, which is on the lowest rung of the Japanese banking hierarchy.

Kamaishi is unusually blighted, but some causes of its ills are shared hy other provincial Japanese cities, and the political upheaval in Tokyo has added to the economic uncertainty in regional areas.

The continuing downturn has most hurt centres already made vulnerable by structural changes such as manufacturers relocating to lower-cost east Asian countries and the steady outward flow of young workers to larger regional cities and Tokyo.

Kamaishi Shinkin's death was the direct result of its role as the local provider of funds to small business, as money was pumped into ailing companies unable to raise funds from other sources. For its sins of commission, the bank's bad loans are now estimated at 41 per cent of its Y35.6bn portfolio, though a regional banker said the final non-performing figure would be close to half the outstanding loans.



Source: Iwate Economic Research Institute

Having been the site of the country's first blast furnace for pig iron in 1857, Kamaishi now has the ignominy of heing home to the first Japanese bank to receive liquidation assistance from the Deposit Insurance Corporation, likely to provide about Y20bn to ensure that depositors are not out of pocket.

For Japanese outside Kamaishi, the most disturbing characteristic of the bank's demise is that it was not a result of stock and property speculation during the "bubble era" of the late 1980s. The failure of finance companies with a taste for speculation is seen as an inevitable result of their excesses and not as a sign that the established order is crumbling.

"It's a terrible thing that the name Kamaishi Bank will disappear," lamented Mr Takeyoshi Noda, the city's mayor, whose office is coloured by relics of Kamaishi's glory days. The Nippon Steel Kamaishi rugby team won the national title seven years in succession during the 1970s. Mr Noda has a bruised rugby ball atop a display cabinet.

But as Nippon Steel, the world's largest steelmaker, has scaled down its plant, transferring operations to newer factories in the south, the rugby team has also lost potency. There is a smaller pool from which to select players, as Kamaishi's population peaked in 1963 at 92,123, and fell to 50,820 this year.

The area's struggling husinesses were further shaken last year when the Japanese government estimated that Kamaishi would have a population of only 27,000 in the year 2010. Mr Noda thinks the calculation did not take into account efforts to revive the city, including a Nippon Steel-sponsored mushroom farm and a building materials company.

But it is these new ventures which have been most exposed to the harsh winds of recession. The city had hoped that Nippon Steel would huild a theme park on an old factory site, but the poor response to Space World, another theme park huilt at a former steel plant in the south, led to the shelving of those plans.

The building materials venture has been bruised by the fall in private construction demand. An increase in public works spending this year may help, bnt demand for private housing in Kamaishi is falling in tandem with the population. Mr Noda has high hopes for an office furniture venture, but demand will be dampened by securities houses' planned 68 per cent cut in capital spending this year and smaller reductions by other institutions.

"There was no financial hubble in Kamaishi, hut we have been hurt by the bubble's collapse simply because the real economy has been hurt," Mr Noda said. "Land prices were falling here, when they were surging in Tokyo, hut now we find it difficult to offer young people good jobs. We have to create more projects."

Local businesses fear thst the regional banks may not be as willing to risk funds on a new venture which could have expected support from Kamaishi Shinkin, officially thought to have been too sympathetic to the local cause. One regional banker said the the small bank had been more interested in "sentiment than asset-backing".

Three years ago, Mr Susumu Oikawa was sent from the finance ministry to restructure

> The severe downturn in the national economy has pushed many businesses over the edge

Kamaishi Shinkin, as it was boped that low-interest loans from the Shinkin banks' governing body would be enough to ensure survival. But, as Mr Oikawa explained, the continuing downturn in the national economy has pushed many businesses, including his bank, over the edge.

"Some Kamaishi people invested in stocks, but that did not bring down their companies," said Mr Oikawa, eged 58, who will he idle after the formal liquidation in October. His transfer was a form of amakudari, a descent from hureaucratic heaven to a private financial institution.

"Many Japanese have a traditional image of Kamaishi as a robust, steel producing city, but when I came here I was quite surprised. Businesses were in trouble, and it has got worse," he said.

Growing signs of economy bottoming out

By Charles Leadbeater in Tokyo

A CLUTCH of economic statistics published yesterday added further weight to claims that the Japanese economy is bottoming out after a two-year decline.

A wide-ranging quarterly survey conducted by the Finance Ministry found that business confidence improved markedly in the second quarter of the year, the second consecutive quarter of improvement.

The Economic Planning Agency said the economy was bottoming out in its commentary on its index of leading indicators, which stood at 70 per cent in April. It was the fourth consecutive month the index has stood at more than 50 per cent. A reading of less than that is taken to forecast a deterioration in the economy.

The cautious optimism in the surveys may be encouraged by the yen's sudden weakening in the past few days in response to the political turmoil triggered by the defeat of the government in a no-confidence vote last Friday.

The yen closed at Y111.25 against the dollar, down Y0.77 from its close on Monday. The fall in the currency will be welcomed by exporters.

Another government survey found household spending in April was slightly higher than the same month last year, the second consecutive monthly improvement.

However, both the EPA and the Finance Ministry stressed it was too early to say that the economy was starting to recover even if it was bottoming out. Personal consumption remains depressed, capital investment is being cut and in the longer run political instability could throw in doubt the government's ability to support the economy with further fiscal measures after the July 18 election.

The Finance Ministry's May survey of business confidence among 4,673 manufacturing companies put the index of business sentiment at minus 12.2 compared with minus 20 in the February survey.

Large companies expect business conditions to recover from the final three months of this year. Profits in the first half of the financial year to next April will fall slightly compared with last year, but this drop will be more than offset by a profits recovery in the second half of the year, the survey found.

Companies' worries about whether they are carrying excess labour are also easing. About 8.7 per cent of companies in the May survey said they were carrying excess labour compared with 9.3 per cent in the February survey.

The rise in the EPA's leading index to 70 per cent was due to a rise in housing orders, demand for consumer durables and the money supply. Household spending rose by 1.6 per cent in real terms in April, compared with the same month last year.

Algeria unveils blueprint for fresh elections

By Mark Nicholson in Algiers

ALGERIA'S military-backed five-man presidency has unveiled a draft blueprint for "the return of the electoral process" in the country, according to which presidential elections will be held by 1996 at the earliest.

Under the blueprint, circulated on Monday to political parties and other interest groups, the ruling High State Council (HSC), as the joint presidency is known, will hand over power at the end of December to a new presidential body. This will oversee a transition period of two to three years before elections.

A National Consultative Council, embracing political, economic and social groups, will be formed to advise the presidency during the transition, along with a new transitional government, according to the document. It also commits Algeria to an accelerated opening of its failing and largely state-held economy, saying "our economy needs, now more than ever, another strategy, a new model".

The draft plan follows three rounds of talks between the HSC and several, though not all, of Algeria's leading opposition parties and national associations. The dialogue excluded among others the outlawed Islamic Salvation Front (FIS), whose proximity to outright victory in a 1991 general election prompted the cancellation of the poll by the government, and threw Algeria into its present political crisis.

The HSC's announcement is the first timetable for the resumption of any form of democracy since it took over from President Chadli Bendjedid after the abortive first round of elections. Its decision to hand over at the end of this year coincides with what would have been the expiry of Mr Chadli's presidential term.

The document is due to be discussed at a national conference of political and other interest groups, possibly next month. The resulting proposals, which Monday's document says will include alterations to the electoral law and some parts of the constitution, will be put to a referendum in the autumn. The 1989 constitution will stay in place during the transition.

Diplomats in Algiers said the HSC's programme was designed to rally what consensus the government can muster while attempting to shore up its legitimacy in the absence of elections. However, they pointed out that political parties were still likely to disagree considerably on the detail of the blueprint.

Moreover, the proposals come as the government tightens further its military crackdown on FIS extremists in the face of a steady series of bloody FIS ambushes of police and military targets. More than 15,000 troops are deployed in and around the capital.

Although the document says that Islam will remain the "state religion" and is the "foundation of society and the root of its values", it does not envisage lifting the ban on FIS, which drew some 3m votes in the 1991 poll. Instead, it emphasises that the government will "proceed with the eradication of terrorism" during the transition.

Francis Ghilèa adds: Prof Mohamed Boukhobza, head of Algeria's National Institute for Global Strategy and a respected sociologist, was assassinated yesterday in Algiers, knifed in his flat. His murder comes three months after the slaying of his predecessor and former education minister, , Prof Djilalli Lyabes.

Meanwhile 40 conscript soldiers in a platoon hunting Islamic fundamentalists in the Chrea mountainous range above Blida, south of Algiers, were killed at the weekend, it was learnt yesterday. The massacre was the worst since the insurrection began.

Pakistan still seeks political peace after Sharif's return

Farhan Bokhari on tensions which threaten democracy

'Due to present political crisis, progress is stalled, development is hampered,' Pakistan is suffering.'

SO SAYS a large front-page advertisement in a local newspaper, signed by 10 leading businessmen. The ad also lists 30 "important achievements" of Mr Nawaz Sharif, prime minister, with a caption which reads: "No man has done so much in such a short time".

While supported by many in business, who are keen to see progress in his economic reform plans, the recently reinstated Mr Sharif is faced with equally passionate critics who claim his government has been corrupt and ineffective.

The polarised environment that has resulted is perhaps the most important source of continuing political uncertainty in Pakistan, a country which has lived under martial law for more than half of its 46-year history.

Mr Sharif and politicians loyal to him say publicly that they are in command after the supreme court's verdict last month, which overturned an earlier presidential order and restored the government. But the prime minister is facing strained relations with at least two of the country's four provinces.

Tensions with President Ghulam Ishaq Khan have only just begum to recede, though no one knows if the two leaders will return to a normal working relationship. Mr Khan said last week he would welcome Mr Sharif if the prime minister came to visit him. Since the government's restoration four weeks ago, the two met only once and briefly, on the return of the corpses of Pakistani soldiers who were killed in Somalia.

Mr Sharif and Ms Benazir Bhutto, the opposition leader, bitter foes for almost five years, have formed committees of aides in an attempt to resolve their differences. Both leaders have a stake in saving the democratic system, because their own futures will be determined by its future.

But there are few signs of any imminent breakthrough. Ms Bhutto is demanding basic electoral reforms, formation of a broad-based "national government" which includes the opposition, and fresh mid-term elections.

"Nothing short of a national government with fresh elections will get political stability. Otherwise, we'll have manipulations. Somebody will be up, somebody will be down," said Ms Bhutto recently in support of her demands.

One of har party MPs is expected to participate in a parliamentary committee set up over the weekend to recommend constitutional changes. Among those are certain to be proposals for repealing the controversial constitutional amendment which empowers the president to sack elected assemblies and call elections.

Mr Sharif has so far shown few signs of giving ground. The cases of corruption against Ms Bhutto which were filed against her after her government's dismissal in August 1990, though never proved in court, have still not been withdrawn.

In addition, the opposition claims that some of its supporters are still being persecuted. "If the prime minister is not even prepared to pay the price of peanuts for initiating talks with the opposition, then I don't think we are going to get anywhere," Ms Bhutto adds.

Its also not clear how far Ms Bhutto is willing to compromise, especially after recent reports of a dent in her popularity following her party's decision to join the government of Mr Balakh Sher Mazari, the interim prime minister who briefly replaced Mr Sharif.

In its efforts to seek political peace, the government feels encouraged that the other important actor in Pakistani politics, the army, has so far remained neutral. The defence hudget was only raised by 1.9 per cent this year, far below inflation, which is officially estimated at around 10 per cent. That step has been widely seen as a sign that the government has some support from the army to undertake its economic reform policies.

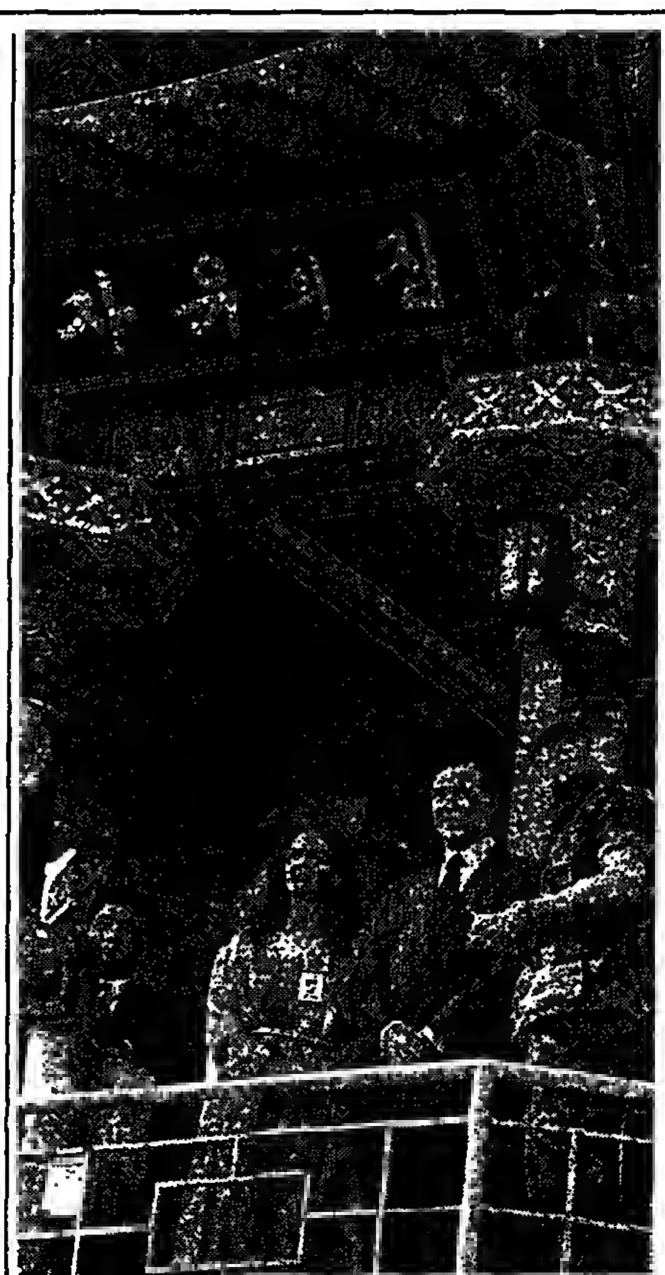
However, should there be, in the worst case, political deadlock, street demonstrations, and/or the refusal of the provinces to work with the centre, there could be an opportunity for troops to be called to take control of the situation.

Mr Khan's term of office ends in November, and it is still unclear if he will seek a second term. The prime minister is believed to be unwilling to hold elections before then, fearing that the president's supporters, joined by the opposition, would launch a fierce attack against him.

"Nawaz Sharif has staged a legal come-back, not a political come-back. The political reasons that led to the dismissal of the Sharif government still lie unanswered and unredressed," says Ms Bhutto.

Other critics also argue that the government must first establish political peace before becoming confident that it is back to stay and that the country is back on the road to democracy and economic liberalisation.

The future of economic reforms will be the ultimate test case, says the chief executive of a larga company in Karachi, Pakistan's business capital. "But right now with all this political uncertainty, the prospects don't seem terribly good unless things settla down."


Prime Minister Paul Keating of Australia and his wife view North Korean territory from the observation platform during a tour of the Korean border village Panmunjom

NZ to keep to tough policies

MS RUTH Richardson, New Zealand finance minister, said yesterday her election-year budget next week would stick to economic policies that have led the country out of economic crisis but made the government deeply unpopular, Reuter reports from Wellington.

She said in an interview that the July 1 budget – five months before a general election – would display fiscal responsibility to maintain New Zealand's economic recovery.

Ms Richardson said she expected the deficit to swing into surplus before the turn of the century.

Chinese party cracks whip

China's Communist Party, in a frank admission of its declining influence in the countryside, has issued a circular ordering local officials to abide strictly by central economic directives or face punishment, Reuter reports from Beijing.

The party's commission for discipline said Beijing's attempts to ensure orderly economic growth were being undermined as local officials flout orders.

Tanzanian banker

Mr Gilman Rutihinda, 49, governor of Tanzania's central bank, has died in a London hospital, his office announced yesterday, Reuter reports from Dar-es-Salaam.

Threat to aid may complete Sierra Leone's misery

By Theodore Liasi

SIERRA LEONE, though rich in diamonds and other minerals, is ranked second last by the United Nations in its latest human develnpment index, with a worse quality of life for its citizens than anywhere in the world except neighbouring Guinea.

Endemic diamnnd smuggling, four military coups, a festering civil war and a withdrawal of some western aid following human rights abuses have left the populace dependent in large measure on non-governmental aid agencies.

Even this may be in jeopardy: The finance ministry has threatened to introduce a levy on all imports, inclnding relief aid. The Red Cross has warned that it would be forced to withdraw from the country if aid was not exempted.

As the number of refugees fleeing fighting in the eastern and snntbern districts increases – it is pnt at 1m – huge camps have appeared, each honsing up to 20,000 people in makeshift hnts and disnsed buildings across the country. With the onset of the rainy season aid agencies fear the temporary honsing – usually constructed out of grass reeds – will be washed away.

As Mr Joseph Quam, eastern co-ordinator for Unicef, which plays an integral role in the distribution of food, medicine and clothing, explains, the relief programme should be making way for the next phase of rehahilitation. "We keep pushing back the relief phase. We thought that by now we would have finished with relief and moved to rehabilitation, of which there is a lot to be done."

Consequently, the relief programme will have to continne at least until the end of this year, and the relief agencies are concerned that they will not be ahle to guarantee resources for the duration.

Sierra Leone, a former British colony of 4.7m in a country the size of Scotland, has entered its second year under a new government following the overthrow of President Joseph Momoh in a bloodless military coup in April 1992.

The National Provisional Ruling Council, led by 27-year-old Captain Valentine Strasser – known as "the Redeemer" – on seizing power vowed to eradicate corruption and nepotism. But there is still little to cheer about.

Smnggling of diamonds remains commonplace, and recent incursions by rebel forces into mining areas have also interrupted operations.

Last Christmas saw the summary exécntions of 26 alleged rebels. This resulted in Britain suspending economic aid. The EC has also been reviewing its position. The government says human rights abuses under the old regime were ignored by the west.

Foreign banks 'started India scam'

By Shiraz Sidhva in New Delhi

AN INDIAN parliamentary committee yesterday blamed foreign banks operating in India for initiating the Rs50bn (£1.1bn) Bombay financial scandal and suggested in a draft report that all banks in the country, Indian and foreign, be brought under strict parliamentary control.

The joint parliamentary committee set up last year to investigate the stock market scandal said in its second draft report: "Foreign banks have been initiators of the scam as well as major players. With their tremendous resources, their clout, their aggressive posture and posturing, they can, if they choose, play bsvoc with the economy."

The report came down heavily on the Reserve Bank of India, the country's central bank, for not putting in place a system of inspection for financial institutions. "Deregularisation and liberalisation without effective checks and balances would be an unmitigated disaster."

The Finance Ministry hsd also failed to "exercise much closer supervision of the entire securities and banking transactions" of all banks, and was accused of "not monitoring tha stock exchanges, or undertaking formal assessments of alleged irregularities in the stock markets, despite being the sole anthority responsible for this".

● Three government employees were badly hurt when militants fired a rocket yesterday at the civil secretariat building, seat of the Jammu and Kashmir government, in Srinagar.

A pro-Pakistani militant group, Operation Balakote, telephoned a local newspaper office claiming responsibility for the attack, minutes after the rocket pierced through the second-floor office of Mr R K Sayeed, an adviser to the Jammu and Kashmir governor, injuring his staff.

Harare to allow foreign exchange bank accounts

ZIMBABWE is changing its currency regulations to let citizens and foreigners hold bank accounts in foreign exchange with no questions asked, according to Mr Kombo Moyana, central bank governor, Reuter reports from Harare.

"Capital hrought into the FCDA (foreign currency denominated account) will not be subject to tax and proof of sources will not be required," he said. "As an incentive, no withholding tax will be levied on the interest earned by these accounts."

President Robert Mugabe flaw to London this week to campaign for investment from British business leaders. He was expected to announce changes to foreign excbange rules, which investors see as a curb on their presence. A long-standing ban on foreign businesses investing on the local stock market was abolished in April. They are now allowed to remit most of their profits.

The Zimbabwean economy shrank by 12 per cent last year. Economists expect it to decline again this year.

Minister refuses to quit over Nadir

By Ralph Atkins in London and Philip Stephens in Copenhagen

MR JOHN MAJOR last night faced a fresh test of his political authority when the minister at the centre of the row over Tory links with fugitive businessman Mr Asil Nadir made clear he would not resign without being pushed.

As the prime minister and Tory party chairman reacted angrily to the latest allegations over undisclosed donations to the Conservative party, Mr Michael Mates, Northern Ireland minister, said: "I have done nothing wrong".

The prime minister had expressed "full confidence" in him, Mr Mates said, as he signalled that he thought the initiative lay firmly with Downing Street: "In the and, of course, this matter is in the hands of the prime minister."

His comments came despite mounting pressure from senior Tory MPs for Mr Mates to resign after revelations about a watch he gave to Mr Nadir and a car lent by a public relations adviser working for the head of the collapsed Polly Peck business empire.

Speaking in Copanbagen after the European Community summit, Mr Major left the clear impression that he would be ready to accept Mr Mates' resignation but had not yet decided to sack him. If the stand-off is not resolved by tomorrow, the Tories' backbench 1922 committee may urge that Mr Mates he sacked.

Mr Major angrily denounced as "fantasy" reports that the Conservative Party bad accepted contributions from the Saudi Royal family and flatly rejected calls for the party to reveal the names of its donors. Clearly enraged about the continuing suggestions that the Tory party was funded through much of the 1980s from questionable sources, the prime minister offered another hint that it is preparing to pay back money contributed by Mr Nadir, if "tainted".

Separately, Sir Norman Fowler, Tory party chairman, used a Commons debate on financing of political parties to attack Touche Ross, liquidators to Polly Peck, for taking two years to reply to a letter from Conservative Central Office on Mr Nadir's £440,000 donations and for leaking information to newspapers.

Mr Major did little to disguise his anger at the stream of allegations about contributors to Conservative funds.

Referring to a report in the Guardian that a member of the Saudi Royal family had contributed several million pounds to the Conservatives just before the last election he insisted: "The story is total fantasy from the beginning to the end. The Conservative party does not accept money from foreign governments or from royal families and has not done so".

Speaking in tones which revealed his exasperation at the way the issue has overshadowed his efforts to restore the government's battered fortunes, Mr Major repeatedly defended the principle of anonymous donations from individuals: "There are people who donate money who require anonymity. I don't see any logical reason to change that."

Administrators to contest £8m Nadir share deal

By Sue Stuart and Andrew Jack

THE ADMINISTRATORS to Polly Peck International are to appear in court early next month to fight for cancellation of a transfer of £8m in shares from a subsidiary in the group to Mr Asil Nadir.

Lawyers for the administrators will appear in the Isle of Man courts on July 6 to dispute the transfer of the shares held by Voyager, a Manx-registered company, which took place four days before PPI entered administration in October 1990.

They will argue that the transfer of shares in A N Graphics, a Turkish printing company, was invalid because it took place at an illegally constituted board meeting held without notifying all directors.

Details emerged as the Isle of Man government prepared to acquire the assets of another Manx company owned personally by Mr Asil Nadir.

Hillgate Limited, registered in the Isle of Man since 1973, is due to be struck off the island's companies' register for not filing annual returns since 1990. Under the island's company law, assets of companies struck off become the property of the Manx treasury. Mr Nadir is listed as Hillgate's major shareholder.

Hillgate's assets include a Jersey-registered company, Restro, used by Mr Nadir for his dealings in Polly Peck group shares. Both are his personal companies and not part of Polly Peck.

The Manx company was set up as part of a legal capital gains tax avoidance scheme. Such schemes were popular at the time particularly for takeovers and flotations.

By exchanging UK company shares for shares in an offshore company in a "paper-for-paper" transaction capital gains tax was avoided when the shares were sold to the public.

Hillgate was first incorporated as Wearwell Holdings, then changed its name in 1980. In December 1990 three Manx nominee directors resigned and since then the company has been without directors and has filed no annual returns.

As well as Mr Nadir's holding of 800 B shares, there is a block of 97 A shares held by a nominee company. It has not been possible to identify the beneficial owner of these shares.

British MPs register sympathies in Cyprus

David Owen and Gillian Tett examine an influential body

IT IS about ten years since a small group of MPs – one Conservative and two Labour – first made a week-long visit to northern Cyprus at the invitation of the Turkish republic's government.

Since then, the All Party Friends of Northern Cyprus Parliamentary Group has grown into an influential body with some 60 members from both houses of parliament.

The group – registered with parliamentary authorities and structured like scores of similar all-party bodies focusing on particular countries or territories – campaigns for a settlement to the island's problems based on the equal treatment of Turkish and Greek Cypriots.

The group's position is broadly in sympathy with the Turkish Cypriot cause. "We thought they had a case that needed to be aired," says Sir Keith Speed, the Conservative MP and group's chairman.

The group has helped arrange a succession of visits by parliamentarians to northern Cyprus, with expenses paid by the northern Cypriot authorities, the most recent during this year's Easter recess. Twelve MPs from four parties took part in the trip, led by Mr Andrew Faulds, a Labour MP and a vice-chairman of the group. The visit – described as a "perfectly standard trip" by Mr Faulds – combined meetings with senior politicians with visits to archaeological sites, a brewery and an orange juice factory.

Mr Faulds intends to arrange a meeting with Mr Douglas Hurd, foreign secretary, to report on the trip and hopes there will be more.

The most recent register of MPs' interests indicates that four Conservative MPs – Mr Richard Alexander, Mr Terry Dicks, Mr Peter Fry and Mr Robert Jones, – visited the island in September 1992 as guests of the northern Cyprus authorities.

Mr Jones, chairman of the environment select committee, said the trip was "to learn at first hand the prospects of a political settlement there, at the expense of the local administration." He hopes to set up a similar visit to the Greek side of the island.

Sir Keith is one of at least three MPs with property in northern Cyprus – a three-bedroomed bungalow he and his wife bought when it was close to derelict in 1987. Mr John Taylor, Ulster Unionist MP, lists two cottages in northern Cyprus in the register of MPs' interests. He bought the property before the island was divided and has "been there for 22 years". Sir Dudley Smith, the Conservative MP, has leased a house in northern Cyprus for eight years.

In an unusual step, the group released a 220-word statement following Mr Asil Nadir's flight to northern Cyprus urging him to "consider his position and voluntarily return to Britain where he can face the charges alleged against him.

"We cannot condone the breaking of bail by anyone to flee from British justice," the statement said.

"The reason why there is no extradition treaty is because the UK government will not recognise the Turkish Republic of Northern Cyprus," it said.

MPs belonging to the group express concern that Mr Nadir's action has made the prospects of an acceptable settlement more remote. "Asil Nadir has queered the pitch and he has not helped his president," according to Mr Faulds.

Sir Keith says his personal view as chairman of the group is that it would be best to "let the dust settle" before further trips to northern Cyprus by parliamentarians are arranged. "But it would not stop me from going on holiday there."

Britain in brief

Rebel threat over extra Euro-seats

The government is set to face a Euro-sceptic rebellion over the legislation to create six extra UK seats for the European parliament.

Debate on the legislation was planned for this week, but was delayed because ministers feared defeat. It is now provisionally scheduled for next week.

Under the planned arrangements, five of the six extra seats will go to England and one will go to Wales.

Labour opposes the legislation because there is no provision for an extra seat for Scotland.

Deadline bid for naval deal

The political battle over the award of Trident submarine work took a surprise turn yesterday when the Rosyth naval dockyard in Fife, Scotland, made an 11th-hour bid to swing the government's decision with a radical new cut-price scheme.

Its new plan, designed to stop the crucial submarine refit business going to Plymouth's Devonport yard, would require Ministry of Defence investment of just £60m, half the cost of Devonport's latest bid.

Rosyth's managers, Babcock Thorn, announced the proposal just two days before the cabinet was expected to make its long-delayed decision on which yard should become the sole UK site for refitting and refuelling nuclear-powered submarines.

Thousands of jobs hang on the verdict. Although the loser is expected to receive guarantees of other naval work, its long-term survival will be in doubt.

A spokesman for Devonport dismissed the bid as "a special last-minute one-day-sale offer," and said that it could have no credibility.

Demand for graduates up

Demand from employers in the UK for this summer's crop of college leavers, after a slow start in the autumn, has suddenly increased, according to recruiters and graduate careers services.

The Central Services Unit said that over tha past six weeks it had seen "a small but discernible nptum being notified". There have also been a number of late bookings hy employers for the summer recruitment fairs cnrrently being held, said the unit.

Ms Kate Tyzack, Association of Graduate Recruiters chairman and recruitment manager for Marks and Spencer, said the situation was "very fast moving and positive" for graduates seeking jobs.

Directors seek post decision

Post Office directors renewed their pleas for a government decision over privatising the Post Office. Mr Michael Heron, chairman, said recent signals from tbe government threw "very little light" on whether privatisation would go ahead.

Modigliani's Tête de Jeune Fille made £2.86m at a sale of *Impressionist* and modern art at Christie's, London. Fifty-eight lots brought £17.9m

Mr Heron was presenting the Post Office's results for the year 1992-3, showing the 17th successive year of unsubsidised profits. Pre-tax profits were up 15 per cent at a record £283m.

NSM attacks coal pit plan

NSM, the private mining group, condemned the govarnment's plans to private British Coal as a "farce" and said it would not be bidding for any of the 20 pits put out to tender under the present rules.

The company was previously thought to be a likely bidder for some of the mines. Its decision to rule itself out of the privatisation process is a further blow to the government's plans to sell off 20 of British Coal's pits.

Women need to network more

Men are seven times more likely than women to get a new joh by using personal contacts, according to a survey of redundant executives.

Women have fewer female contemporaries at senior levels in business and find it difficult to approach men to gain information about job opportunities, said InterExec, the employment consultancy.

Judgment in 'phantom' case

A judge cleared the way for a mass legal action against banks and building societies hy customers claiming to have lost money through fraudulent or "phantom" withdrawals from automated teller machines.

In the first significant judgment in the phantom withdrawals action by customers of five banks and building societies, a judge allowed the actions to proceed together initially.

But the judge made clear that judgments in cases where plaintiffs claim that bank technology has allowed withdrawals from their accounts even though they had not disclosed their personal identification numbers to others would eventually be made individually in the county courts.

Lloyd's reports record £2.91bn loss for 1990

By Richard Lapper

LLOYO'S OF LONDON yesterday reported its highest ever losses and warned that resources to compensate thousands of its hardest hit Names were limited.

Mr Oavid Rowland, chairman, told some 1,200 Names – the individuals whose assets support Lloyd's – that losses of £2.91bn for 1990 represented a "low point" of the insurance market's 305 year history.

Mr Rowland told Lloyd's annual general meeting that the latest figures reflected "an overall level of performance" which is "*unacceptable* and must never be repeated".

The loss is the third in succession by Lloyd's, which reports its results three years in arrears. It follows a deficit of £2.06bn in 1989 and £510m in 1988. Losses of over £1bn are expected when Lloyd's reports its 1991 losses next year. Several thousand of the market's 30,000 Names face financial ruin as a result and are suing their agents for compensation.

Mr Rowland said he wanted "to see that proper recompense is made to any who have been *wronged* by their agents or others". However he urged names to support Lloyd's in its efforts to achieve an out-of-court settlement to these disputes.

Mr Rowland also warned that moves by some Names to press new corporate investors to pay for past losses were neither "practical nor timely".

Lloyd's *announced in its* business plan, published in April, that it hopes to attract companies to participate as "incorporated Names" next year.

"I have no intention of selling participation in the society at a foolish price (but) if we want new capital we have to compete for it with other attractive investments which do not carry with them the same track record," added Mr Rowland.

Separately Lloyd's said that its total loss had been inflated by some £600m because in some cases two sets of syndicates had set aside reserves to meet the same loss.

The capital base of Lloyd's of London has been dented by the insurance market's record losses of £2.91bn, but a strong increase in the reserves held to pay future claims mean that the deterioration has been less marked than *feared*.

Overall net assets fell to £6.09bn (£6.54bn) as at the end of December 1992. The fall in the assets held by Names, the individuals whose assets support the market, was compensated for by a rise in the size of the central fund, which meets *claims when Names are unable* to meet their obligations, along with an increase in othar reserves.

Members' means – which include so-called "funds at Lloyd's" (deposits, personal reserves and special reserves) and other members' assets declined to £6.38bn (£7.30bn).

The net assets of the central fund increased to £1.15bn (£445m). Net assets of the corporation of Lloyd's, which administrates and regulates the market, amount to £252m (£263m).

Premium incoma – after brokerage and commission – amounted to £6.4bn in 1992, compared with £5.01bn in 1991. An increase from £7.82bn to £10.85bn in reinsurance premiums paid by syndicates to close their 1990 year of account - also helped swell income in the premium trust funds.

Euro-MPs hear of 'series of attacks on rights of workers'

By Roland Adburgham, Wales and West Correspondent

AN INDUSTRIAL dispute at a Bristol printing company has been raised in the European parliament by a Labour MEP as an example of what he said was a series of attacks on the rights of workers in the UK.

One hundred and twenty two members of the GPMU print union were dismissed on April 26 by the family company of J.W. Arrowsmith after voting for industrial action in pursuit of a £6.50 a week pay rise.

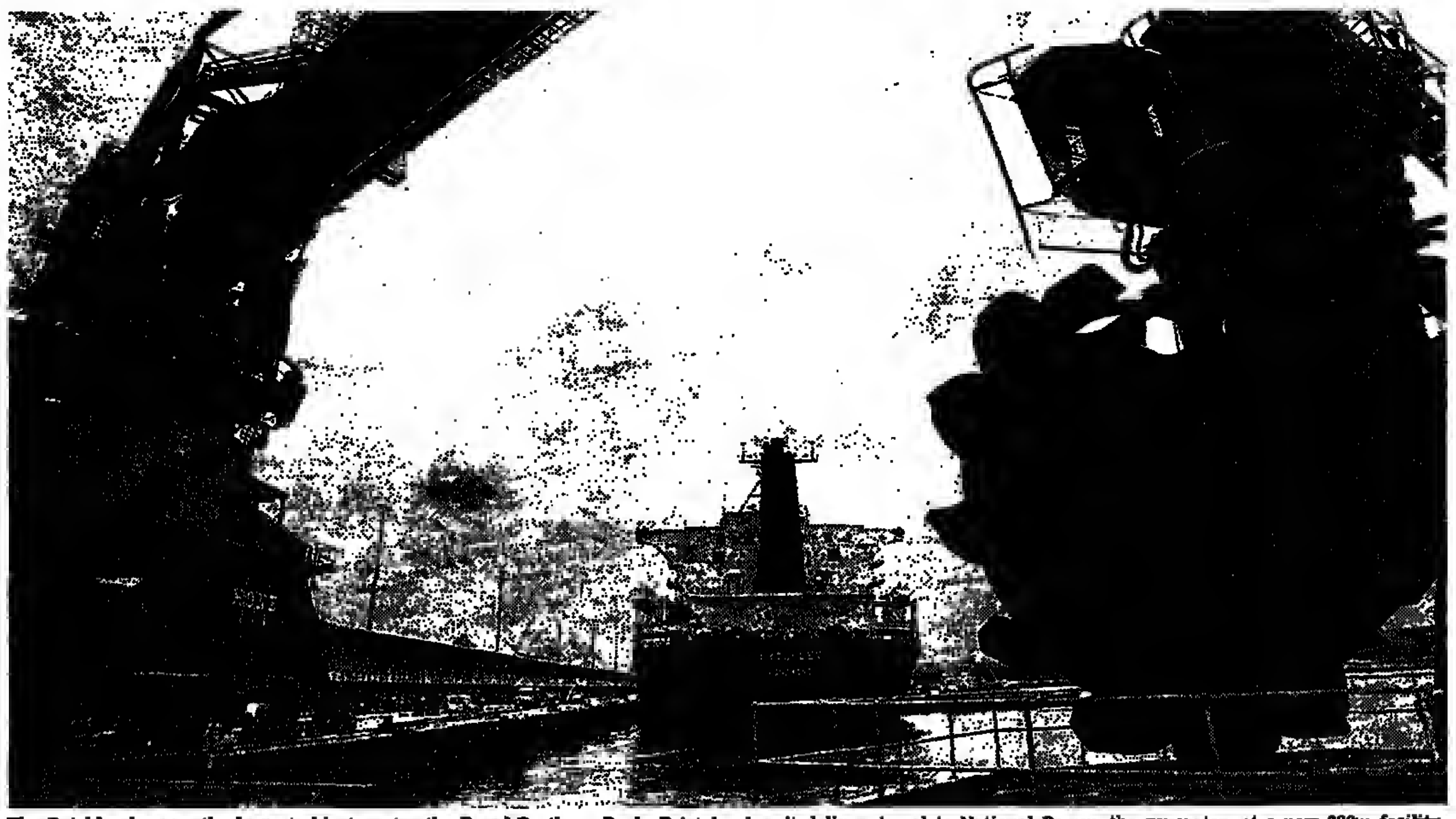
They were subsequently sent letters offering re-engagement at their previous levels of pay but were told that the company would no longer recognise the union and there would be personal contracts.

Since then only six workers have been re-employed and the company, founded in 1854, has been picketed by the dismissed staff. The union says the average length of service is 20 years. Mr John Price, a union branch official, said: "It is an old family firm It has been a very flexible workforce and this is their reward."

Mr Ian White, MEP for Bristol and Bath, has presented a petition signed by the sacked workers to the European parliament with a declaration condemning the UK government for allowing such action by employers. "This is not just an isolated incident," he said. "The problems at Arrowsmith's are just part of a series of attacks on the rights of workers in the UK."

Miss Victoria Arrowsmith-Brown, chairman and managing director, said the company had suffered since January from an unofficial overtime ban before the industrial action vote was taken.

J.W. Arrowsmith says it made a loss of £201,000 last year on a turnover of £4.6m. Miss Arrowsmith-Brown said that because there had not been a full return to work the company had restructured itself with a smaller staff. "For us, it is no longer a dispute. There is no resolution to be achieved."



The Pytchley became the largest ship to enter the Royal Portbury Dock, Bristol, when it delivered coal to National Power, the generator, at a new £80m facility. Imports have been cut hy subsidies bnt the generator says the port has belped push down prices. The dockside crane is armed with "scoops" to unload the cargo

Corporate borrowing at 9-year low

A BIG improvement in company finances, belped by higher profits and lower interest payments, has put the corporate sector on the road to a strong recovery, yesterday's figures show.

In the first quarter, companies needed to borrow a net £591m to cover outgoings – down from £7.99bn in the fourth quarter of last year and the smallest quarterly figure for nearly nine years.

Total undistributed income, allowing for profits and after taking into account interest payments, tax and dividends, came to £11.6bn in the first quarter at *current prices, the* highest figure since early 1989.

Company investment was an inflation-adjusted 0.5 per cent higber in the first quarter, compared with the fourth quarter of last year.

Export growth lifts recovery hopes

By Peter Marsh, Economics Correspondent

A rise in earnings from the export of services has failed to prevent an increase in the current-account deficit to its highest qnarterly level for nearly three years.

The gap on the current account between all imports and exports – taking in merchandise goods, and invisible trade covering services and financial transfers – came to £4.01bn in the first quarter. This was up from £3.88bn in the fourth quarter of last year and £2.26bn in the third quarter.

The surplus on invisible trade was £494m in the first quarter, little changed from £474m in the previous three-month period. In the third quarter of last year the invisibles surplus was £1.02bn.

HIGHER CONSUMER spending and strong export growth has led to a sharp upward revision in economic activity, underlining hopes for a steady recovery later this year.

Output in the first quarter was helped by the biggest six-monthly fall for eight years in the proportion of consumer incomes directed to spending, and by buoyant service-company investments.

The Central Statistical Office said yesterday that excluding oil and gas extraction, gross domestic product In the first quarter grew by an inflation-adjusted, year-on-year 0.9 per *cent, up from an earlier esti*mate of 0.7 per cent.

The savings ratio – coosumer savings as a percentage of total disposable income – fell to 10.3 per cent in the first quarter from 11.3 per cent in the fourth quarter of last year.

This large six-monthly fall was helped by lower interest rates reducing the incentive for people to save. It released more cash for spending on goods and services.

Excluding energy production, GDP expanded 0.4 per *cent in the first quarter, com*pared with the final quarter of last year. This was in line with earlier estimates. Total quarter-on-quarter GDP growth in the first three months is put at 0.4 per cent, up from theinitial estimate of 0.2 per cent two months ago.

As a result of new data government statisticians reckon the economic decline in the first half of last year was steeper than originally thought. They have revised upwards their growth figures *for the second half.*

This means the recession is officially thought to have bottomed out about spring of last year, with total GDP including oil and gas having expanded in both the third and fourth three-monthly periods at a quarter-on-quarter 0.3 per cent. GDP in the first quarter was up 0.9 per cent compared with the same quarter a year before.

Economic activity in the first quarter was belped by the pound's devaluation boosting exports of goods and services. These grew 3.3 per cent from tbe previous quarter and 6 per cent from a year previously. Imports of goods and services expanded less, by 1.9 per cent and 3.6 per cent respectively.

Consumer spending increased 0.5 per cent between the fourth quarter of last year and the January-March period. Spending on durable goods rose 1 per cent, while spending on energy fell 4.3 per cent due *to mild weather.*

Real persooal disposable income fell 0.6 per cent between the two quarters, partly reflecting a fall In employment and lower social security payments.

BUSINESS AND THE ENVIRONMENT

Ariane Genillard describes how Germany's national recycling scheme is collapsing under its own success

Too much of a good thing

Every day for a year Margot voo Shad carefully picked her rubbish apart, setting aside the cans, cartons, packaging and other household products marked with a greeo dot to put in yellow rubbish bins in front of her house. But last Sunday she decided, along with some friends, that it was a waste of time.

"All this effort and now we hear it is for nothing," she says disappointedly. Along with millions of other conscientious Germans, she is dismayed by reports that the country's waste collecting and recycling scheme is going bankrupt.

The scheme, known as Duales System Deutschland (DSD), is collapsing under the weight of the rubbish it is collecting and sorting out. DSD was set up last year by 600 industrial groups to meet government-imposed recycling quotas, but last week it announced that it oeeds DM500m (£200m) just to keep going.

Part of the problem is the schemes's success. For plastics alone, DSD expects to collect this year four times the amount it was set up to deal with. At the weekend, Klaus Töpfer, the federal environment minister who devised the scheme, proudly referred to his fellow Germans as the "[trash] collectors of the world".

But Töpfer's compliment is hardly soothing the worries of both an environment-conscious public and German industry. DSD's ability to recycle waste lags well behind its success in collecting it. With dumping sites filling up and scandals over waste exports increasingly surfacing, politicians and industrialists are now under pressure to rethink the entire system.

Some critics have taken action. Last week, the Rhineland Palatinate state withdrew from the scheme. As one official in the local environment ministry put it: "We are suffocating under mountains of DSD waste and we have no more storage for it."

But retail traders have been the loudest in voicing their fears. If DSD fails to collect household waste, it will be legally bound to take back packaging from its customers.

DSD collects and sorts out waste from 96 per cent of German households. It was established in response to the ground-breaking 1991 packaging law which forced manufacturers and retailers to take packaging back. Other European countries such as Austria and France, eager to find solutions for the ever-increasing productioo of household waste, have since been taking a close look at the German law and its application.

At the core of the natioowide scheme lies the German concept of *Kreislaufwirtschaft* – a closed circle economy where all products are re-used *od infinitum*. The ultimate aim is to have industry manufacture products that offer viable recycling possibilities.

To implement such a goal, industry must bear the financial costs of recycling, environmentalists say. Under the packaging law, manufacturers and retailers are responsible for collecting and recycling packaging products. The law effectively shifted waste management away from cash-strapped municipalities to the private sector.

Faced with the cost of both collecting and recycling their own products, industry will have an incentive to manufacture environment-friendly products, Töpfer hopes.

But in practice, the system contains a major flaw, which many anti-DSD environmeotalists are now quick to point out. The entire scheme is based on the assumption that there are cost advantages in manufacturing products that can be easily recycled. But in the case of plastic, the largest packaging product on the market, recycling may be economically less viable than "down-cycling" – destroying the product through methods such as incineration.

Unlike glass, aluminium and

The scheme is based on the assumption that there are cost advantages in making products that can be easily recycled

paper, which have been recycled for decades, plastic packaging such as yoghurt pots and beverage bottles are of little value to recyclers. They contain different colourings and are usually made of mixed elements.

"The industry has known for years that heavy investments would be needed to recycle plastics. The bottom line is that they are only interested in the plastics leaving the market in an orderly fashion, no matter what their destinations are," says Franz-Joseph Fraundorfer, from the German-based office of consultants Arthur D Little.

In 1993, DSD expects to collect nearly 400,000 tonnes of the 1.2m tonnes of plastics produced annually in the country. But recycling capacity in Germany stands at just 124,000 tonnes.

However, a further 152,000 tonnes will be exported. In response to a scandal last year in France, where German waste was found sitting in the open air on a badly controlled landfill, DSD has set up a system to test the viability of recycling companies abroad.

Many cases slip through DSD's net, says Greenpeace, the eoviroomental group. Ooly last March Greenpeace claimed to have found thousands of tonnes of DSD waste in Indonesia, despite an Indonesian government ban on waste imports brought in last November to curb the flow of waste entering the country.

"DSD even pays foreign firms to take back plastics, which are then put on empty ships returning to Asia from German ports," a consultant says.

Part of the solution lies in Germany developing its own recycling facilities. But investments in plastic recycling, which are costly and involve lengthy research, are dragging behind.

RWE, for instance, the big west Germao utilities company, has invested DM10m in a pilot plant to separate aluminium from polyethylene used in manufacturing beverage cartons. If that is successful, a permanent plant could recycle up to 10,000 tonnes of such cartons a year. But that would be less than a quarter of the 60,000 tonnes a year on the market.

Overall, RWE expects to be able to recycle 40,000 tonnes of plastic this year. By 1996 the utilities group hopes to have a recycling capacity nearing 200,000 tonnes.

Veba, the energy group and Ruhrkohle, the coal producer, are also working together to recycle 40,000 tonnes of plastic a year by melting it down and using the resulting oil in an oil refinery. However, such recycling technology is limited to large plants that are coupled with a refinery.

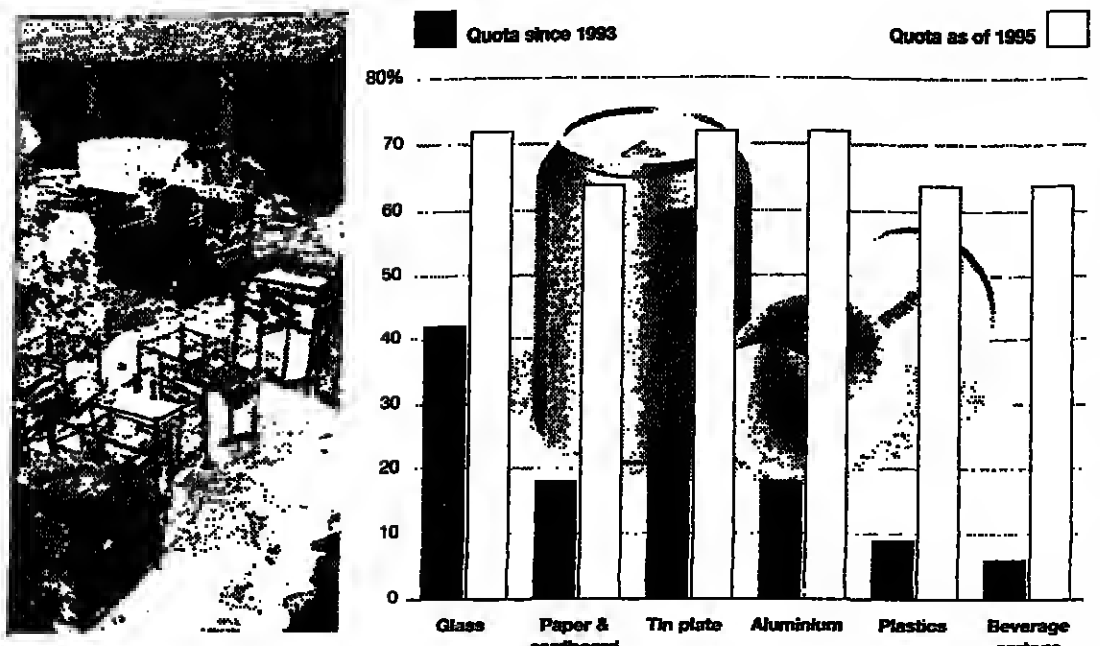
Such recycling efforts pale in the light of the 800,000 tonnes of plastic that DSD is legally bound to recycle starting in July 1995. Worried about how it will deal with all that waste, the company has been calling out to the chemical industry to start investing in recycling facilities. But as a director from Bayer, the chemical group, puts it: "We are all losing money. Where do they think we will find it for soch non-productive investments?"

Consultants instead argue that "recycling at all cost" may simply not be the best approach. "France, for instance, has developed incineration techniques which are technically and environmentally very effective," Fraundorfer says.

Meanwhile, household waste collected by DSD can no longer be legally burned or dumped on landfills and is accumulating in temporary storages. Politicians from Germany's opposition Social Democratic party say the law should be changed and plastics, for example, taxed.

But Töpfer refuses to renege oo the packaging law. "If industry is forced to assume the cost of recycling and iovest," says an official from the federal environment ministry, "then they will change their plastic packaging to somethiog else."

The amount Duales must recycle



Source: Duales

Clean-up brings unusual alliance

Gillian Tett on an innovative plan to repair damage caused by mining

Mining is a messy business. And coping with its social and environmental side-effects has often posed an even murkier problem, especially in the Third World.

In spite of the wealth of expertise among development agencies, and the growing environmental pressure on the sector, mining companies and development charities have usually been relnctant to collaborate – or even to communicate – with each other.

But in the impoverished west African country of Sierra Leone, a scheme is under way which shows that, though co-operation is not easy, it can be innovative. The partners in the project are a small mining company, Sierra Rutile – a snbsidiary of the US-based group Nord Resources Corporation – and Care, an international development charity.

Sierra Rntile's main business since the mid 1980s has been mining the titanium mineral rutile through wet dredging. The process requires flooding areas of fertile farm land, which are often nnusable for farming afterwards.

Bnt since the late 1980s, the company has tried to make amends by putting about 3 per cent of its annual turnover into alternative agricnltnral and development projects. Using that funding, and the development expertise of Care, basic sanitation and sustainable agricultural programmes bave been set np for some 3,400 farming families living around the mining area.

"The aim is to provide something for people who have nothing," says Derric Hanvey, a director of Sierra Rutile and a key architect of the scheme. He points ont that in a country like Sierra Leone, where the state is weak, the mine is practically the only form of infrastructure – and employment – in the region.

The practice of providing wells, seeds and schools is not in itself unusual in the mining world. In recent years, most mining companies operating in west Africa have been stepping up their assistance to local communities and environmental programmes – primarily as a result of environmental pressure and tougher legislation.

"The big mining companies are now on the defensive about these issues," says Chris Hinde, editor of the Mining Journal which, in deference to the changing climate, is about to launch a new environmental supplement. He estimates that approximately 10 per cent of the total start-up costs for new mines is earmarked for environmental rehabilitation projects.

What makes Sierra Rutile's project unusual is the involvement of a non-governmental charity. Until now, mining companies have preferred to use their own staff or consultants, rather than charities or environmental groups, to administer their aid.

"In this respect the project is unique," says Edward Watkins, a mining and environment consultant who believes that, by collaborating with Care, Sierra Rntile now has "moch more credibility" in the region.

Sierra Rutile claims it chose to work with Care because of the charity's expertise and as a recognition that the most effective forms of development work are those that stress farmer participation – something that is hard to develop under the paternal structure of a big mining company.

However, some green groups believe that, despite the mine's efforts, the farmers are still losing out. And they say Care is in danger of becoming compromised by being involved in the project.

Care stresses that the actual implementation of the project remains under its control. "We appreciate that this donor is enabling the charity to assist project participation as planned," says Patrick Sayer, UK director of Care's west African projects. "What we get out of this project is the same as what we get out of any donor."

The sensitivity of charities to criticism on this issue highlights the problems that may dog attempts to repeat the scheme elsewhere. For while all parties say they hope the project will set ao example, overcoming the decades of suspicion – and differing objectives – between mining companies and development workers may prove as difficult as rehabilitating the mining land.

PEOPLE

Jesuit for Dixons ethics chair

Jack Mahoney is to become Dixons professor of business ethics and social responsibility at the London Business School, filling the post created by a £1m bequest made the electronics group in July last year.

Mahoney, a Jesuit priest and former principal of Heythrop College at the University of London, is currently F D Maurice professor of moral and social theology and King's College, London.

He is also the founder and director of the King's College Business Ethics Research Centre, which he says is likely to whither with his move to the London Business School in October this year.

"Complacency was beginning to set in," he said. "I saw myself coasting gently to retirement. I realised that if I was serious about business ethics this was something I should not pass up."

"As a Roman Catholic and a Jesuit I don't have a strongly biblical basis nor fundamentalism. I happen to believe that there are God-given capacities that allow everyone to work out what is right to do. I want to help them find the ordinary human decencies and apply them in business."

In additioo to the professorship, the £1m bequest paid over five years by the Dixons Charitable Charitable Foundation, will fund a research and teaching programme in ethics and responsibility.

As part of the programme, Diana Robertson is to be appointed assistant professor of organisational behaviour and business ethics in August 1994.

Robertson is currently assistant professor of legal studies at the Wharton School of Business at the University of Pennsylvania, and taught courses on business ethics while a visiting assistant professor at LBS during 1990-92.

Andrew Likierman, deputy principal of the London Business School, said: "I am very enthusiastic. We have an extremely strong team with these two which will give us a big push in the area of business ethics."

Mahoney said his priorities were to put the teaching of the subject on to the agenda of the school; consider ethical audits of companies; and to develop a series of debates and a network of business ethics teachers.

Labour leader for the shires

The shire counties of England and Wales now have a Labour chief. Dennis Pettitt was yesterday elected leader of the Association of County Councils, by the councillors who took office in last month's electoral landslide against the Conservatives.

Pettitt is the only Labour party member ever to have held the post, which he also held briefly between 1988 and 1989 when no party had overall control of the ACC.

A 67-year-old, and leader of Nottinghamshire county council since 1979, Pettitt is likely to use the weight of his experience to build more co-operation between the local government associations, and also present more coherent alternatives to the central government.

He can be expected to play down the sharp divisions with the Association of District Councils, revealed by the reorganisation of boundaries by Sir John Banham's Local Government Commission, in favour of a more coherent front.

Pettitt is a Birmingham man by birth, and spent 10 years in East Africa, working in the lift industry, before settling in Nottinghamshire.

His deputy, who had been seen as a potential rival for the post, will be Josie Farrington, 52, a Lancashire county councillor since 1977. Also a Labour representative, she is president of the Council of Europe committee for culture, education and media, and is working on establishing a local radio station in Croatia. Farrington was Labour's candidate in the Ribble Valley by-election of 1991.

Barclays beefs up bancassurance

Barclays Bank, which calculates it is already Britain's fourth largest provider of unit-linked life insurance and pensions products, has moved to strengthen its management team with its eye on moving further up the league tables.

Bancassurance, the sale of life and pensions products through bank and building society outlets, is forecast to grow to 30-50 per cent of the total market by the end of the decade and all four major UK clearers have announced their intentions to be serious players.

Barclays Financial Services has recruited as sales manager Keith Strudley, 48, from rival Midland Bank where he played a key role in expanding and developing distribution channels.

Strudley has had a long career in bancassurance, having spent 15 years at TSB as a regional sales manager.

Barclays has also recruited Phil Smith as finance director for its financial services unit. Smith had previously occupied a similar position at Prudential Assurance Company's general insurance division.

NM Rothschild

Alao Wheatley has been appointed a non-executive director of NM Rothschild and Sons.

His other directorships currently include British Steel, Babcock International, Legal and General and Forte.

Parry's expertise for Asda Property Holdings

John Parry has been appointed as a non-executive director of Asda Property Holdings, following his retirement earlier this month as MD of Hammerson Property Investment and Development Corporation.

Tony Roscoe, MD of Asda, said that Parry had been asked to join the board because of his integrity, depth of knowledge and experience of running a much larger property company.

Asda Property Holdings used to be one of the few residential property companies on the stock market, but the proportion of residential property has now fallen below 10 per cent of its portfolio.

Over the last 18 months the company has repositioned itself by selling residential property and buying high

yielding commercial property.

Parry joined Hammerson in 1984 from Commercial Union Properties, where he was managing director. He spent his early career as a development surveyor.

Parry was last year's president of the British Property Federation, a landlords' association. He is also a member of the Department of Environment's Property Advisory Group, a member of the British Council of Offices and a board member of the College of Estate Management at Reading.

Let's be clear about it. The ten Japanese utility companies want THORP.

Last week, an advertisement was placed in The Independent by a pressure group which calls itself "Japanese Citizens Concerned About Plutonium".

They claim to represent the people of Japan. And they have made claims to the people of Great Britain which cannot go unchallenged.

As the ten leading electricity generating companies in Japan, we must refute them. And refute them before they do more damage. Or cause more delay.

Among numerous old or unsupported arguments, the pressure group's advertisement claims the following.

That, despite our promises, Japan will not after all be a keen customer of The Thermal Oxide Reprocessing Plant at Sellafield.

That Japan does not need the recycled plutonium THORP will provide.

That Japan will effectively break its strict contracts with British Nuclear Fuels.

And that the UK will thus become the "dustbin for Japan's nuclear waste".

THORP is not a dustbin. It's a recycling (technically known as reprocessing) plant. At THORP, uranium and plutonium which can be used to fuel the nuclear reactors of the future are extracted from the spent fuel. All we have to dispose of is 3% fission products.

BNFL then treats that waste by, for example, immobilising it in glass, and will return it to us, along with the reprocessed uranium and plutonium. Like BNFL, we are confident that the handling and shipping of the waste will meet the highest safety standards.

That's why we do business with them.

We have, in fact, already sent them significant quantities of the fuel they will be reprocessing for us during the plant's first ten years of operation. It's sitting safely in deep ponds at THORP.

You may think we should just store our spent fuel without reprocessing it. But that is far from ideal, because storing also means you have to treat *everything* as high level waste – uranium, plutonium and waste products, because they are all jumbled together.

In contrast, reprocessing extracts uranium and plutonium which represents 97% of the spent fuel. Fission products (the remaining 3%) come out as waste which can be dealt with far more easily than spent fuel as it is.

That's why it's misleading simply to claim that reprocessing generates more waste. What it generates is *lower level* waste, because BNFL very rightly treats things like clothing and materials used by workers at THORP as waste.

But it's waste that's easily handled. When it comes to high-level waste, reprocessing produces far less than storage or direct disposal does.

There's another very important reason why we in Japan want to reprocess our nuclear fuel.

We actually want our plutonium and uranium back. We need the plutonium to fuel the new generation of fast nuclear reactors. And plutonium can also be used to manufacture a nuclear fuel called MOX (mixed oxide fuel) for use in conventional reactors.

It is Japan's stated policy to generate the power we need for the future by using reprocessed nuclear fuel.

Our previous Minister of State, Mr Nakajima, said as much when he spoke at a World Association of Nuclear Operators conference in Tokyo in April this year:

"Japan has set out its basic policy to retrieve plutonium through the reprocessing of used nuclear fuel, and to use it again as recycled nuclear fuel for the purpose of economical usage of uranium resources, and for securing a stable energy supply."

Anyone who cares about the environment will understand that you can't look at an energy problem in isolation. You have to consider the global picture.

If we didn't reprocess uranium, more would have to be mined. And we'd rather reprocess it safely than waste this valuable source of energy. After all, the oil crises of the past have shown us how quickly the price of a natural resource can rise.

The Japanese Citizens Concerned About Plutonium say that reprocessing will lead to weapons proliferation.

Again, not so.

Reprocessing doesn't produce any *more* plutonium, it merely separates it out from nuclear waste.

We intend to use the plutonium and uranium we recover for purely civil purposes. The British Government has backed that with a statement to the effect that there will be no proliferation risk in returning plutonium to Japan.

Far from losing our enthusiasm, we regret the delays which have been caused by a few groups masquerading as majorities who are simply determined to end the use of nuclear power worldwide.

THORP is new, safe and ready to work.

We urge the UK Government to give it the go-ahead as soon as possible.

THE TEN JAPANESE ELECTRIC POWER COMPANIES

T. NAKANO Chairman HOKKAIDO EPCO	T. TAMAKAWA Chairman TOHOKU EPCO	G. HIRAIWA Chairman TOKYO EPCO	Y. MORIMOTO Chairman HOKURIKU EPCO	K. MATSUNAGA Chairman CHUBU EPCO	S. KOBAYASHI Chairman KANSAI EPCO	K. MATSUTANI Chairman CHUGOKU EPCO	T. SATO Chairman SHIKOKU EPCO	T. KAWAI Chairman KYUSHU EPCO	M. OKABE Chairman JAPCO

For details contact: Overseas Reprocessing Committee, 6F NTB. M. Building, 2-9 Shimbashi, 2-chome, Minato-Ku, Tokyo 105.

MANAGEMENT

Roy McNulty defines benchmarking as 'the continuous improvement of what we do by learning how others do it'

A flight of discovery

Tim Dickson on how a Belfast aerospace company has introduced benchmarking into its strategy

FEW large manufacturing businesses – fewer still in aerospace and defence – can claim to be employing more people today than they were four years ago. Short Brothers of Belfast (Shorts for short) is one of them.

The size of the company's workforce – more than 8,000 at the last count – is one indication of the liberating effect that privatisation appears to have had on the world's oldest aircraft production company. Taken over by Canada's Bombardier Corporation in 1989, Shorts was the instant beneficiary of an investment programme by Bombardier and the UK government. The £200m Shorts received has been used to increase efficiency, extend its capabilities and significantly improve its financial performance. Last year's pre-tax profit of £28.5m compared with a £47m loss in 1988.

But while costs have been cut, product quality sharpened, lead times narrowed and a more customer-orientated culture instilled, the competitiveness of Shorts' international markets means the company can aim for nothing less than world-class standards. That is one reason why 18 months ago it embraced benchmarking as an important part of its quality management strategy.

Roy McNulty, Shorts' quietly spoken president, defines benchmarking as "the continuous improvement of what we do by learning how others do it". "What we do," he adds, "can be products, processes or services, whilst 'others' can be other divisions within Shorts, companies within the Bombardier group, direct competitors, or best practice companies."

Initially, Shorts was attracted to benchmarking by a desire to evaluate the first phase of the investment programme, and to ensure that £70m of still uncommitted funds were sensibly targeted. The company talked extensively to three consulting firms – Andersen, Ingersoll Engineers and Booz Allen & Hamilton – before choosing Booz on the basis of its knowledge of the aerospace industry.

Benchmarking at Shorts, explains Brian Little, vice-president and general manager of manufacturing, has been one tool in a wider programme for change. That has involved identifying customer needs more closely, establishing deeper relationships with a smaller number of suppliers, and investing in people.

Of the two benchmarking studies so far undertaken, the more ambitious compared seven of Shorts' manufacturing processes with those of 28 worldwide competitors. Teams of four to five people – roughly divided between Shorts and Booz representatives – were set up last spring and worked full time on the project for 12 weeks.

Little says it was important to establish a realistic benchmarking methodology – eliminating accounting distortions and isolating the true manufacturing value added from tax breaks and other incentives – as well as attempting to quantify the real "cost drivers" in an individual process.

For each process, Shorts worked out its relative cost position, as well as best practice performance metrics. For example, in composites fabrication its utilisation rate was 4-5 per cent more efficient than the two benchmark companies, its overhead structure 5-14 per cent cheaper and its factor costs in one case 63 per cent lower after stripping out state subsidies.

Shorts found that its parts-flow performance, graphite utilisation, scrap rates and quality costs relative to total costs were in line with best practice. On some products, though, its scrap rates were worse than the benchmark.

Overall, Little claims the survey found Shorts "as competitive as any company in the world" in five of the seven processes. In the other two – which Little won't identify for commercial reasons – "we have had to do quite a lot of re-engineering, particularly to reduce the costs of our operating systems and practices".

In one case, the study highlighted an important choice: whether to buy in technology that is two to three years ahead of the field or try to develop it in Belfast.

Process improvement plans have been clearly based on observed best practices, and performance metrics used as process performance targets. In the current recessionary markets the studies have also given Shorts a more detailed picture of its rivals' pricing relates to their costs.

Sports' corporate services benchmarking project, by contrast, appears less advanced. But by comparing other companies' practices in areas like information technology, sales and marketing, finance, and facilities engineering, Shorts hopes to be able to identify savings.

Little, who is something of a benchmarking evangelist, insists "there is always something to be learned from visiting someone else's factory. It can be a great trade".

He admits it is more difficult benchmarking direct competitors. But, intriguingly, he says: "90-95 per cent of the data required to do a reasonably effective cost-competitive benchmarking job are in the public domain. Plant visits help but a lot of information comes from suppliers, magazine articles, public accounts and simply studying the physical size of other people's manufacturing operation. It is particularly easy in the US where the Freedom of Information Act helps and trade union agreements can be quite detailed."

Companies that try to discourage benchmarking studies are wasting their time, he says. "Moreover, we have discovered that the people who are most secretive generally have the least to hide."

Japanese companies have been mostly co-operative. "They usually believe you won't use the information, or that by the time you do they will have moved ahead again," Little observes wryly.

Visits can also be useful closer to home, and with non-competitive "partners". Little is confident Shorts can improve the capacity utilisation of its autoclave (curing oven) by studying a local bakery, and that a garment manufacturer can pass on valuable lessons about managing materials flow.

More British companies are inviting foreign directors to join their boards, writes **Lucy Kellaway**

Time to use a little help from abroad

Wanted: international high-fliers with strategic vision, energy, commitment. Preferably continental European or American US nationals, must be prepared to visit UK for 12 board meetings a year. Successful candidates will get rare insight into the running of UK companies. About £15,000 a year plus expenses.

The call has gone out: foreign non-executive directors are being sought by British companies. The markets for British products have long been international, and the markets for British shares are becoming increasingly so. But until recently British non-executives had been selected from among tha chairman's golfing friends, fellow citizens to the last.

A few British companies have had big-name foreigners on their boards for some time. Hilmar Kopper, chief executive of Deutsche Bank, joined the board of Pilkington 10 years ago. Charles Price, the former US ambassador to London, sits on the boards of British Airways and Hanson.

ICI has no fewer than three foreigners on its board: Paul Volcker, the former head of the US Federal Reserve Board, Tom Wyman, who is also a director of General Motors and AT&T, and Ellen Schneider-Lenne, a director of Deutsche Bank.

The trend is now gathering pace. Last week Rank Organisation took on its first foreigner with the appointment of James Harmon, chief executive of the US bank Wertheim Schroder. Rank had become aware that its increasing turnover from the US did not tally with its all-British board, and sent Schroder, its merchant bank, to recruit a suitable American.

A few days earlier, Budgens, the small British supermarket chain, gained a foreign heavy-weight in Hans Reischl, chief executive of Rewe, the large German food retailers.

Reischl, whose company has a stake in Budgens, plans to use his position on the board as a listening post – to get first-hand knowledge of the British market.

Whitehead Mann, the headhunting firm, has recently surveyed the top 100 British companies and concluded that in the foreseeable future 84 per cent of big public limited companies will have at least one foreign national on their boards.

Of the companies surveyed, 40 per cent already have a foreign non-executive – half of those executives have been taken on in the last two years – and a further 44 per cent are planning to recruit one.

Of the existing foreign directors, Americans are slightly more plentiful than Europeans, whereas Japanese are still rarities. However, this balance is changing. According to the survey, 60 per cent of companies are looking to Europe to fill the next slot on the board.

The motivation for taking on foreign directors is shared by most companies: nearly all said they hoped to gain a more international perspective or a fresh insight into a particular region. Those who have already hired their foreign directors seem happy with the result; more than half of those asked were very pleased and none was disappointed.

In future 84 per cent of big PLCs will have at least one foreign national on their boards

Yet finding the right person may be a slow process, as Grand Met found out when it completed a 14-month search before coming up with German management consultant Gertrude Hohler.

One problem is the commitment of time required of non-executives. British boards meet about three times as often as those of US companies or the supervisory boards of German companies.

Foreigners have further to come, although this difficulty can be overstated.

"It is quicker to get from Paris to London than from London to Norfolk," comments Bruce Rhodes, a director of Pro Ned, the organisation set up to promote non-executive directors. Indeed, the Whitehead Mann survey showed that attendance by foreign nationals was no worse than attendance generally.

Rhodes also argues that language is not the barrier it is believed to be, as the sort of people with a suitably broad perspective to make them possible candidates are likely to be able to speak good English anyway.

More of a problem is that non-executive directors in the UK have the same legal responsibility as executive ones. This is particularly a concern for American candidates, who are unlikely to take the position unless the company takes out special insurance for them. If the company has business in the US such cover may be expensive.

Busy foreign executives may also be concerned that the matters discussed at the meetings are too routine and time-wasting. "The guys don't worry about jet lag – but they may be worried that the board meetings are too operational, and are not the best use of their time," says Ian Butcher of Whitehead Mann.

To get around this problem, many UK companies are setting up international advisory boards. Such boards may consist of two or three international heavy-weights who meet the chief executive and perhaps one or two other board members twice a year in assorted locations to discuss global strategy.

While foreign directors are in demand by British companies, the same does not seem to be the case for British directors and foreign companies. This is partly because the board structure in some countries does not invite outsiders. In Germany, for example the supervisory board is made up of representatives of the workforce and shareholders.

The US as a bigger country can perhaps afford to be more insular, and if it wanted help from foreigners the UK might not be its first point of call.

Television/**Christopher Dunkley**

Smothered in goo but still top hole

How depressing to find the BBC introducing its first afternoon of Wimbledon coverage with another of those childish compilation tapes in which players are seen grimacing, punching the air, blowing kisses and so on, all cut to a monotonous disco dance number. Snooker began this grubby little habit, then it turned up in rugger and athletics and now it is being inflicted upon tennis fans. It seems there is no event which the BBC will not attempt to smother in goo, from the *Cardiff Singer Of The World* contest to the once dignified Wimbledon. If it was not for the excellence of the real McCoy – the live coverage – it would make you wonder about continuing to champion the BBC as our main national broadcaster.

*

Having said which, there is a nasty trend in Committee Room 15 at the House of Commons where the National Heritage Committee is inquiring into the future of the BBC (yes, *again*; there does not seem to be a flicker of light at the end of this inquiry tunnel). Listening to some of the witnesses and, more worrying, some members of the committee, you could easily get the impression that cable and satellite are already available to most British viewers. They talk as though the days of terrestrial television – BBC, ITV, Channel 4 – are over and multiple choice is here, so that there is no longer any need to impose the hideous burden of the licence fee on a seething and rebellious population.

So powerful was this impression last week that it seemed sensible in giving my evidence to make the point that the biggest weekly share of viewing for satellite and cable ever recorded by BARB was 6.5 per cent, leaving 93.5 per cent to terrestrial broadcasters. Time permitting, I might have added that the British seem remarkably happy with the terrestrial operators, showing less enthusiasm for the new technologies than viewers in other countries. The British take-up rate for cable (those paying to hook up when the cable passes their door) is very low, and even in the small number of homes that have dishes, only 32 per cent of time is spent with satellite channels, leaving 68 per cent to the terrestrials.

Most of the hostility, I suspect, is inspired by the doctrinaire political feeling that the licence fee is part of an old fashioned collectivist system which, along with the welfare state, should now, in the post-communist world, be replaced by something more market driven. Pragmatism suggests this is crazy: compared with any other scheme the BBC and the licence fee have proved astoundingly productive and efficient, and foreigners from Warsaw to Oshkosh would tell the committee they are mad even to think about scrapping them. Dislike of the licence comes chiefly from politicians who would dearly like the general public to object, but who can rarely scrape together more than half a dozen letters of protest when challenged.

*

Regular readers may have noticed that while television critics elsewhere were rending their clothes and falling on their remote controls at the ending of *Cheers*, the event passed without a murmur from this column. Now that the repeats are up and running it may be time to say why. Although *Cheers* was (given the repeats, is) an efficient vehicle for delivering American wisecracks, it never produced a character as strong or memorable as Bilko or Lucy. You may say that was never the intention: this was not a star series like those old shows, its strength was in ensemble playing from a large cast of near equals.

Perhaps so, but if it is to be judged on those grounds then its inferiority becomes clear the moment you consider *M.A.S.H*. Not only did *M.A.S.H* take ensemble playing to a considerably higher level, but it managed, year after year, to combine comedy and pathos in a way that *Cheers* aspired to but rarely achieved. *M.A.S.H* had the advantage of ambivalence arising from its setting: the jokes gained a keen edge from the perpetual proximity of pain in the frontline operating theatre. No doubt the funny and sympathetic depiction of the loosly and inadequate in *Cheers* was (is) hugely appealing to many viewers; but that does not make it one of the great sitcoms. It is good but not outstanding.

*

Those with a passion for Italy and some knowledge of the country may have thought that "Italian Week" on BBC2's *Late Show* would not be for them: too busy offering a child's guide to the new politics, or rowing back over the mafia trials. In the event quite a lot was, indeed, familiar and you realised once more how superior print can still be when it comes to detail. For instance, in describing the new magistrate hero, di Pietro, the programme never hinted at his mastery of computers and the central importance this has played in his fight against crime, though *FT* readers learned this in detail months ago.

However, Nick Hornby gave an excellent report on Italian football and its symbolic significance, even as a substitute for politics; David Stafford and Tom Conti offered a wickedly accurate and consequently hilarious ten-point charter for being Italian ("Dress British ... Think taupe ... Dare to be similar ..."); the importance of public opinion in the new drive against the mafia was well read: we were given an unexpected and eye opening report on the Rome opera house; and, even if the studio discussion was disappointing, anyone who watched throughout the week will have ended with a much clearer idea of what it means at the moment to be an Italian.

*

The shift away from adult television and into tabloid telly continues inexorably. Among last week's newcomers was *Fantastic Facts* on *ITV* which presenter Jonathan Ross promised us would be "outrageously funny". It was not. *Fantastic Clichés* would have been a better title. From Ross's script ("Without further ado ...") to the "fantastic" items (you can adopt a pothole in Minnesota) there was little that the normal viewer would not hava coma across several times before, including the famous fainting goats. The biggest giggle came when the camera showed us a boy's book with a decorated cover and the title "Scouts In Bondage", but you need more than that and yet another stuntman's expose to make a half hour programme. The most embarrassing moment came in the network trailer which assured us that one of the items was "incredulous but true".

*

ITV's three-part Thursday drama *Telltale*, featuring two detectives and a supergrass, is proving a bit of an enigma: is it just another proficient but unsurprising police drama starring Bernard Hill who, however good he may be, is curreotly dangerously over exposed? Or is its chief preoccupation really the home lives of the detectives, a theme beloved of *Z Cars* writers in the 1960s? Or, as I vaguely suspect, is its real concern "Stockholm Syndrome", the tendency of captors and captives, in a bank siege or aircraft hijacking, to develop a common front against the world? Only the final episode tomorrow will tell, but I shall be disappointed if Stockholm Syndrome plays no part.

*

Last week's column on commercials failed to mention Paul Mertoo's current campaign for Cusson's Imperial Leather where he bursts in on the children's bathtime, drops his microphone in the bath, and promises the irate mother compensation: "We'll give you about...eight quid". Why or whether it sells soap is anybody's guess, but it made me laugh more than any of the week's sitcoms.

Theatre

Himself

Writer Brian Phelan had an idea. The ressemblence between the old style actor-managers who barnstormed the country mesmerising audiences with fire and brimstone dramatics, and the modern evangelical preachers in the US with their equally spine chilling rantings, could surely be crafted into a play.

Phelan's second idea was really just a footnote. There is only one actor with the physical presence and dominating personality to step into the shoes of Donald Wolfit and Jimmy Swaggart. Luckily Timothy West was available. *Himself* is now touring the country.

Coming from Dublin, Phelan makes his actor-turned-prescher Irish – Christopher Cameron, or "Himself", as the man of the house is known in Ireland. And "Himself", rather than "Sir" or "Maestro" demanded by other actor-managers, suits his cosy, domesticated, character. Cameron is not a man of bombast, rather a second rate travelling player, delighted to be invited to lecture at a Kansas drama school.

But his whimsical style and actorly skills attract the attention of sinister business interests, anxious to find a preacher through whom they can cash in on the gullible public who think that a $25 donation ensures access to Heaven. Cameron treats the role of Bible basher as just another meaty part and the money starts to roll in.

The problem is that Phelan does not know what to do with his characters, except the obvious. Himself starts to believe that he is chosen of God; the young acolyte Sister Annie (Sharon Small), who arrives as a sexual rival to Cameron's sensible wife Meg (Susan Engel), just disappears. The initial ending is predictable, but the follow up is incredible.

Director Paul Unwin manages to disguise the elusive plot by keeping the dialogue on the boil, and by transforming the drab bare sets of life on the road to a glamorous luxury studio as Himself dominates the Californian TV ratings. We watch the man change from a bald, corseted, journeyman actor into a white robed, toupéed prophet, we know that his basic niceness is unimpaired. He, and we, are enjoying a role.

The villainous string pullers always remain mysterious and the plot developments are contrived, but Phelan is good on character, especially Dermot Crowley as John, the marketing man who has found the perfect product in God; Jud Meyers as Tom, the true believer whose faith is exploited; and Susan Engel, who manages to tame Timothy West into a good company man.

Antony Thorncroft

Richmond until June 26 (081 940 0088)

Alastair Muir

Geoffrey Freshwater and Ron Cook in the last year's favourably reviewed RSC production of Derek Walcott's *'The Odyssey'*, which transfers to The Pit in the Barbican, London, tonight

Concert/**David Murray**

Bach in high style

The ninth, month-long Lufthansa Festival of Baroque Music has already been going on since June 1. Always based in the church of St. James, Piccadilly, it has stretched this year more than ever to the Wigmore Hall, where on Monday the St. James's Baroque Players and Consort (conductor Ivor Bolton) delivered a Bach programme in high style. The hall was just about full. That reflected both the confidence that the Festival has inspired among lovers of 18th-century music, and the attraction of two star performers: the harpsichordist Joshua Rifkin, famous for his "Baroque Beatles", Scott Joplin numbers, tangos and Bach Passions with one voice per choral part – and the young Canadian baritone Gerald Finley, already admired as Britten's Albert Herring and in Mozart at Glyndebourne.

Finley was billed here as a "bass-baritone", but in the bass register the voice still lacks body – surprising in view of his singularly beautiful timbre higher up, where a great factor in the appeal is his warmly affecting bass undertone. No doubt the passing years will lend ballast to his bottom, but meanwhile the voice is lovely to hear. Easily and naturally produced, confidently flexible, laden with dewy, unaffected character; just the qualities, one might add contentiously, that British voice-training seems to throttle in British baritones...

In the cantata "Ich habe genug"; no. 82 in the BMV index though composed only months later, Finley's uncomplicated honesty was compensation enough for slightly lightweight feeling. This great solo cantata, like the earlier one, has acquired a false Romantic patina through the attentions of ultra-subtle *Lieder* specialists; the expressive challenges that Schubert and Wolf would set for their interpreters were of quite another order. Here, Anthony Robson's fine, period-oboe solos in both cantatas answered unerringly to Finley's style.

Rifkin and Bolton played the two-harpsichord concerto in C (BWV 1061) with energetic polish and in fastidious balance. I thought them too metronomically harnessed in the rich central Adagio – but we shall never really know what breadth of rhythmic freedom Bach himself might have expected: the gramophone arrived too late. Contrariwise, in the familiar A minor violin concerto (BMV 1041) Micaela Comberti was sweet-toned and nervily fluent, with no commanding thrust. I wanted franker, gutsier sawing-away, but could not pretend to anything more than "period" intuition as back-up.

Boston Early Music Festival

Monteverdi's 'Orfeo'

The Boston Early Music *Festival and Exhibition* is the annual American rally for cornetto freaks, luthiers and glass-harmonica makers, besides offering also a crowded bouquet of performances: for a few days the city's churches, chapels and meeting halls resounded this year to Byrd, to 14th-century cabaret, and to viola da gamba players flying on the good fortune hero of Alain Corneau's "Tous les matins du monde". The main event – held in the Sanders Theatre of Memorial Hall, Harvard's equivalent in architectural appeal to the Oxford Union – was a staging of the Monteverdi *Orfeo*, under the musical direction of Andrew Parrott.

He is a festival regular. His brisk, fit performances of the Bach suites with the BEMF Orchestra have just been released on CD, and previous festivals have yielded fine concert recordings of the Mozart Requiem and C minor Mass. In that succession, the *Orfeo* was disappointing. Early music people have long been an international family, but the combination here of British musicians (Parrott, Andrew Lawrance-King) and Americans (the strings of The King's Noyse, the wind band Concerto Palatino, and sundry continno players) sounded like an assortment of separate parties, some of them with their own ideas about intonation (the kit fiddles used for Monteverdi's "violini piccioli alla francese" were particularly acid). The singing had its problems too – chiefly of dullness. For a breath of life one had to wait, paradoxically, for the underworld scene where Orpheus meets Charon. Joseph Cornwell's "Possente spirito" was, like his whole performance in the central role, studied, efficient and uniform, but Jan Opalach as the Stygian oarsman produced a nice cameo of dim-witted nobility.

Maybe all tha others were thoroughly depressed by their clothes. Someone had gone to the trouble of consulting drawings of masque costumes by Inigo Jones and others, but the results – badly made, in modern textiles synthetically dyed – wara lamentable. With almost all the cast made up as rosy-cheaked dolls, with clumsy efforts at rhetorical grouping and posture, and with a coarsely painted and crude simulacrum of a Baroque set, the visual experience was dire: maybe that, more than anything else, was responsible for the musical failures. Singers perform well when they look good. Instrumentalists, in a singer-focused opera, concede to the messages they hear from the stage. What we heard from both may well have been dismay.

Paul Griffiths

Mixed bag at the Vienna Festival

Vienna being a sumptuous stage set, one should not be surprised if people take advantage of the fact. So, one evening last week, Placido Domingo not only sang in two separate opera houses – *Il Tabarro* in the Volksoper started an hour early to allow him to cross the city for *Pagliacci* in the Staatsoper – he even made the journey between the two by tram.

What the opera houses put on is not part of the Vienna Festival as such; but the visitor can and does dip into it, as well as into splendid exhibitions like *The World of The Mayas* at the Kunstlerhaus and *The Gold of Kiev* at the Kusthistorisches.

This year's festival has had a strong drama content, from a variety of sources. The shows which have been most remarked oo include the Moscow Taganka production (by Lyubimov) of Schnittke's remarkable music drama *Doctor Zhivago*, which sets about 20 scenes from the novel to a combination of live electronic music. It was premiered in Vienna before going on to open successfully in Moscow. Luc Bondy's French-language *John Gabriel Borkman* from Lausanne impressed by its lightness of tone. The Ibsen characters were for once not absolutely doomed from the start: they were permitted a certain development. The Borkman couple was even granted a suppressed love for one another: an interesting, maybe even valid, concept.

The special theme this year has been classical antiquity; it has given rise to a not wholly successful ragbag of productions. There was a new *Orfeo* opera by Walter Hus, from Antwerp; the Berlin State Opera brought the 1776 Paris version of Gluck's *Alceste*. In drama proper, Slovenia gave us *Antigone* and Romania *Phaedra*. The Italian IRAA Theatre, now based in Melbourna, contributed *The Trojan Women*. Fortunately or unfortunately, according to your point of view, all these were rewrites of the original Greek to make contemporary political points. A furthar example of the genre, Matthias Braun's *The Persians* (Kammersplele, Munich), started interestingly with members of the chorus scattered about the audience, but scon revealed itself as yet another allegory of the last days of the Nazis, and a turgid one at that.

By far the finest production on show was the oldest: the 25-year-old Piccolo Teatro version, by Giorgio Strehler of course, of Goldoni's *Le Baruffe Chiozzote* (Trouble in Chioggia). It comes close to perfection, *commedia dell'arte* with heart. A tale of quarreisome fisherman and their women folk, finally reconciled by a deft young law officer, it is based on an early experience of Goldoni himself. Strehler choreographed it as lovingly as a Buster Keaton film. The main set, a quay with a fishing boat's sails and nets outlined against the sky, was exquisite; and the people were presented with both wit and affection. One was left with an aching sense of having eavesdropped on genuine human lives.

Strehler, now in the veteran category – be was born in 1921 – is still full of plans: to produce a life of Goldoni as well as Pirandello's *Mountain Giants* at the Picolo, to plug at least part of the 2,000-line gap still remaining in his marathon production of Goethe's *Faust*.

So, this year's festival has been a mixed bag. As it was ending, a large screen in front of the City Hall was showing the first of a series of video recordings of Mahler's symphonies, conducted by Bernstein; they will be followed by Karajan opera performances on film. These are part of yet another event, Klangbogen (Sound Spectrum) which overlaps the festival, which in its turn had overlapped with the spring festival...

Victor Price

Praemium Imperiale winners

The winnars of tbe 5tb Praemium Imperiale this year are Jasper Johns (painting); Max Bill (sculpture); Kenzo Tange (architecture); Mstislav Rostropovich (music) and Maurice Béjart (theatre/film). Each winner receives £90,000

INTERNATIONAL

ARTS GUIDE

■ BAD KISSINGEN

Kissinger Sommer, a music festival set in this north Bavarian spa town, opens on Fri and runs till July 18. In the opening concert, Gerd Albrecht conducts the Czech Philharmonic Orchestra in works by Gideon Klein, Mendelssohn and Beethoven, with violin soloist Viviane Hagner. Emma Kirkby gives a song recital on Sat, followed on Sun by Boja Skovhus and Wolfgang Holzmair. This year'a other attractions include operatic concerts with Margaret Price, Cheryl Studer, Edith Wiens and Katia Ricciarelli, a staged production of Handel's Tamerlano, and symphony concerts conducted by Lorin Maazel and Kurt Sanderling (Stadt Bad Kissingen, Postfach 2260, D-8730 Bad Kissingen. Tel 971-807 110/ Fax 971-807191)

■ BONN

Valery Panov's new Chekhov ballet, Three Sisters, with piano music by Rakhmaninov played by Vovka Ashkenazy, can be seen at the Oper tonight, Sat and Mon. Placido Domingo sings the title role in Otello tomorrow. Ken Russell's new production of Salome can be seen on Fri and next Tues, with Emily Rawlins, Graham Clark and David Pittman-Jennings (773667). Tomorrow at Beethovenhalle: Michael Schoenwandt conducts Beethovenhalle Orchestra in a concert of popular orchestral works by Offenbach, Johann Strauss, Bizet and others, with soprano soloist Nathalis Dessay (773666)

■ COLOGNE

Opernhaus Tonight, Sat, Tues: Un ballo in maschera with Andrea Gruber, Taro Ichihara and Paolo Coni. Fri: Billy Budd with Stuart Kale, Boje Skovhus and Allan Evans. Sun afternoon: TanzForum triple bill, choreography by Jochen Ulrich. Next Wed: revival of Katya Kabanova with Nadine Secunde and Leonie Rysanek (221 8400) **Schauspielhaus** Tomorrow: first night of new production of Chekhov'a The Bear, directed by Dimiter Gottschef (repeated Fri, Sat, Sun). Sat in Schlosserei: new production of Racine's classical tragedy Phèdre, directed by Torsten Fischer (221 8400)

■ COPENHAGEN

Tivoli Tonight: Melos Quartet plays works by Haydn, Brahms and Debussy. Tomorrow: Niklas Sivelöv piano recital. Sat: Walter Weller conducts Tivoli Symphony Orchestra and Chorus in concert performance of Tannhaüser, with René Kollo. Sun: Gidon Kremer gives first recital of two-week Tivoli Chamber Music Festival, which includes an Emerson Quartet Beethoven cycle, Schubert Lieder sung by Peter Schreier and concerts by Stockholm Chamber Orchestra and Soloists of tha Moscow Conservatoire (3315 1012)

■ DRESDEN

Semperoper Tonight: Les Contes d'Hoffmann. Tomorrow: chamber music evening. Fri: Rakhmaninov double bill, pairing a ballet set to The Isle of the Dead with his early opera The Miserly Knight. Sat: Der fliegende Holländer. Sun: Friedemann Layer conducts first night of Willy Decker's new production of Don Giovanni. Tues: Der Rosenkavalier (484 2731)

■ DUSSELDORF

Deutsche Oper am Rhein Tonight: Swan Lake. Tomorrow: Heinz Spoerli'a production of Giselle. Fri: Tosca. Sat: ballet double bill. Sun: Fabio Luisi conducts Pet Halmen's new production of Turandot. Tues: Hainz Spoerli'a ballet Goldberg Variations (211-8908 211). Duisburg Theatre has Rigoletto on Sat, La fille mal gardée on Sun and Dia lustigen Weiber von Windsor next Wed (203-3009 100)

■ FRANKFURT

● Luc Bondy's acclaimed French-language staging of Ibsen'a John Gabriel Borkman comes to the Schauspielhaus on Fri for four performances, starring Michel Piccoli (2123 7444)

● André Heller's gypsy variety show Magneten runs daily till Sun at Alte Oper. July 1 and 2: Pierre Boulez conducts London Symphony Orchestra (1340 400)

● Michael Boder conducts Christof Nel'a new production of Die Meistersinger von Nürnberg at Opernhaus on Sat (also July 4, 11), with Alan Titus as Hans Sachs (236061)

■ HAMBURG

The final performances of the John Neumeier ballet festival at the Staatsoper are Nutcracker tonight, Prokofiev'a Cinderella tomorrow, a mixed bill on Fri, Requiem on Sat and a Nijinsky gala on Sun (351721)

■ LEIPZIG

Opernhaus Tonight: Le nozze di Figaro. Tomorrow: Così fan tutte. Fri: world premiere of Jörg Herchet'a new opera Nachtwache, staged by Ruth Berghaus. Sat: Uwe Scholz'a ballet Pax Questuosa. Sun: Il barbiere di Siviglia. Mon: Le boheme. Tues: Nachtwache. Next Wed: Rameau's Hippolyte et Aricie (291036)
Gewandhaus Tomorrow and Fri: Kurt Masur conducts Gewandhaus Orchestra and MDR Chorus in Mendelssohn's oratorio St Paul, with soloists including David Rendall and David Wilson-Johnson. Sun: Daniel Nazareth conducts MDR Symphony Orchestra in symphonies by Schubert and Bruckner. Tues: Alfred Brendel plays Beethoven sonatas (7132 280)

■ STOCKHOLM

Richard Hickox conducts Swedish Radio Symphony Orchestra tonight at Berwaldhallen in works by Mendelssohn, Stenhammar, Alfven and Delius, with baritone soloist Ingvar Wixell (784 1800). The next production at Drottningholm is Una cosa rara, opera by 18th century Spanish composer Vicente Martin y Soler, opening July 10 (660 8225)

■ MUNICH

THEATRE
The final week of the World Theatre season includes Chekhov'a Three Sisters in a production by Moscow'e Teatr na Pokrovke (daily till Sat at Scholastika), tha acclaimed Théâtre da Complicité production of Street of Crocodiles (Fri, Sat, Sun at Kammersplele) and Giorgio Strehler's Piccolo Teatro di Milano production of Goldoni's Le baruffe chiozotte (tomorrow till Sun at Residenztheater). Tickets and information from Maximilianstrasse 11 (291744)
MUSIC/DANCE
Hiroshi Wakasugi conducts Munich Philharmonic Orchestra and Chorus in Berlioz's Roméo et Juliette on Sun morning and next Tues evening at Gasteig (4809 8614). Alfred Brendel plays Beethoven piano sonatas on Sun evening at Herkulessaal der Residenz (299901). Bavarian State Ballet's mixed bill, with choreographies by van Manen, Naharin and others, can be seen next Tues and Wed at Prinzregententheater (221316)
OPERA FESTIVAL
After camping out for the past season due to hydraulics repairs at the National Theater, the Bavarian State Opera is laying on an extended five-week festival starting on July 1. There will be new productions of Lady Macbeth of Mtsensk starring Hildegard Behrens (July 1, 4, 8, 12), Die Frau ohne Schatten staged by a Japanese production team (July 7, 10, 13, 17) and La traviata with Julia Varady (July 25, 29, Aug 1, 4). There are also well-cast repertory performances of Lucia di Lammermoor, Tosca, four Mozart operas and two by Wagner. Recitalists include Thomas Hampson, Falicity Lott and Hermann Prey (221316)

■ STRASBOURG

STRASBOURG FESTIVAL
Theodor Guschlbauer conducts Tobias Richter's Opéra du Rhin production of Così fan tutte tomorrow, Sat, next Tues and Fri. Alfred Brendel is piano soloist in a concert on Fri by South German Radio Orchestra conducted by Michael Gielen. The festival, which runs till July 3, also includes concerts by Strasbourg Philharmonic and London Symphony Orchestras (8832 4310)

■ STUTTGART

LUDWIGSBURG FESTIVAL
Tonight, tomorrow, Fri: Rudra Béjart Lausanne presents two Béjart choreographies, Opéra and AmorRoma starring Marcia Haydeze. Fri (Ordenssaal): Bach with La Petite Bande conducted by Sigiswald Kuijken. Sun: Leipzig Thomanerchor. Mon: Esa-Pekka Salonen conducts Stockholm Chamber Orchestra; Sandström, Mozart, Haydn, Bartok. Mon (Ordenssaal): Heinrich Schiff, Thomas Zehetmair and Tabea Zimmermann trio concert (7141-949610)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Natherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Kiev's hollow victory

Chrystia Freeland on tough choices facing Ukraine

The 10-day miners' strike in eastern Ukraine has ended, but for the Ukrainian government it is a pyrrhic victory. To get the miners back to work, it offered them a package of wage increases and coal price subsidies which ministers admit could push the country into hyperinflation by the autumn.

The sharp deterioration in the economy threatens not just the stability of Ukraine, the second most populous former Soviet republic. It also has implications for the region. Relations between Ukraine and Russia are already tense: several disputes between the two following the break-up of the Soviet Union are unresolved. A deterioration in Kiev's relations with the large and restless Russian-speaking population in its industrial eastern region could fuel tension with Moscow.

In contrast to Kiev's failure to implement economic reforms, one political goal has been effectively pursued: President Leonid Kravchuk's aim of bolstering Ukraine as an independent state by creating its own army. In the past two years, Ukraine has built an army of half a million soldiers, armed with sophisticated conventional weapons produced in the former Soviet Union. Further, Ukraine could be on the brink of becoming a nuclear power. It is likely the government will choose to retain, at least temporarily, some of the 176 inter-continental ballistic missiles on its territory.

But while Ukraine may be growing stronger militarily, its economy is increasingly impoverished. The main reason for its decline is the central bank's run-away printing press. Under pressure from Russia, which felt Ukraine was exporting inflation, Kiev introduced its own, independent currency, the coupon. So far, the coupon's brief life has been a disaster. Since January, the currency has plunged to only a sixth of its value against the dollar, and, even before this week's hand-out to the miners, inflation was running at more than 30 per cent a month.

The economic outlook is likely to worsen. To appease the miners, the government promised a package worth 13 trillion coupons, a figure equal to nearly half the tax revenues Kiev expects to collect this year. The subsidies come on top of the 2 trillion coupons the Ukrainian parliament agreed to pay to the agricultural sector last week.

Announcing the payments, Mr Ivan Illin, deputy minister of finance, pointed out that "agreeing with the miners' demands will lead to a 15-fold increase in consumer prices. This is hyperinflation".

Stagflation – inflation and recession simultaneously – might be a more accurate description. As the value of Ukraine's money has fallen, so has its output. Western economists estimate that national output overall fell by 16 per cent last year. Among the largest sectors, industrial production declined 10 per cent while there was an 11 per cent fall in agriculture, Ukraine's traditional mainstay, accounting for about a fifth of national ouput.

The political battle is one reason Kiev has failed to implement economic reform

Industry has been hit by Ukraine's lack of competitiveness on world markets; a collapse in trade with Ukraine's traditional partners in the former Soviet Union, and a collapse in military orders since the union disintegrated.

Though combined inflation and recession are no strangers to the post-communist economies of eastern Europe, Ukraine's crisis is especially notable since it has not even begun the fundamental reform – such as that undertaken in neighbouring Poland – that might hold out hope of recovery. Recession and a leap in prices in Poland were the short-term pain dictated by the transition to a market economy. In contrast, Ukraine's feuding government has introduced a patchwork of policies which have disrupted the old, centrally planned economy but failed to create a market system to replace it.

Some prices have been freed, but controls on many others remain. As a result, although consumers have suffered price rises typical of the "shock therapy" approach to reforms, prices for agricultural goods remain artificially low compared with those for manufactured products. This disparity has left farms so impoverished that the government has little choice but to grant agricultural credits or risk allowing Ukraine's fields lie fallow.

Home-grown economic woes are exacerbated by the country's dependence on subsidised Russian fuel.

Russia is increasing its oil prices to match those on world markets. This, coupled with an agreement between Moscow and Kiev to conduct all trade at world prices by the end of the year, means Ukraine faces a balance of payments gap of between $2bn and $4bn this year.

Ukraine's main hope of recovering from its economic malaise is rapidly to implement a combination of tighter monetary policy and structural reforms, such as lifting price controls, subsidies and embarking on privatisation. Mr Leonid Kuchma, prime minister, who says he backs such a strategy, has been unable to get reform under way because of his battle with the president and parliament over who should be running the country.

If Kiev were to demonstrate its commitment to economic change, it could expect western financial assistance, particularly to help cover its trade deficit. An IMF programme tailored to do that was in the pipeline, but the internecine conflict in Kiev which erupted in May halted the negotiations and delayed indefinitely the delivery of IMF assistance.

The political battle in Kiev is one reason the government has failed to implement reform. Another is that, as the miners' strike demonstrated, Ukraine is a fragile young nation, with a weak sense of national identity. The government is paying subsidies to unprofitable industries in part because it wants to keep the country together: it fears that widespread closures could undermine the loyalty of millions of mainly Russian-speaking Ukrainians in the east.

The black-faced, red-hatted miners know the government is in a quandary. But Kiev cannot afford to continue indefinitely to subsidise loss-making industries and postpone real reform. The brush with the miners of the Donbass was perhaps only a taste of what is to come.

Robin Leigh-Pemberton, the out-going governor of the Bank of England, speaks to **Peter Norman**

Highs and lows of a dizzy decade

These are busy days for Mr Robin Leigh-Pemberton, the governor of the Bank of England.

His 10 years with the Old Lady of Threadneedle Street are ending in a giddy social whirl. On Monday, he took his leave of the City and politics. Three former chancellors, Mr Kenneth Clarke, the new tenant of Number 11 Downing Street, and Lady Thatcher, were among those bidding farewell in the Bank's ornate Court Room. Last night it was time to say goodbye to his staff. In eight days, Mr Leigh-Pemberton hands over to Mr Eddie George, the present deputy governor, and a new deputy, Mr Rupert Pennant-Rea, formerly of the Economist.

The departure of any Bank governor is a significant event in the financial history of Britain. But Mr Leigh-Pemberton is going after a particularly momentous two terms of office.

Monday's high turnout of the great and the good from Westminster and the City may be a sign that the Bank's star is again in the ascendant after recent setbacks. Although Mr Leigh-Pemberton has experienced his fair share of ups and downs since trading the chairmanship of the National Westminster Bank for his secluded office facing onto the Bank's Garden Court, he is leaving the Bank in reasonable shape in spite of the pound's exit from the European exchange rate mechanism and criticism of the BCCI closure.

It has benefited from Britain's departure from the ERM to the extent that it now has a clear mandate to fight inflation and a more open relationship with the Treasury, with which it shares responsibility for monetary policy. In the lively debate currently under way over whether the Bank should have more autonomy, Mr Leigh-Pemberton clearly feels that the tide of history is moving the Bank's way and in the direction of independence.

Nevertheless, in spite of the internationalisation of the City and the cut-throat competitiveness of today's financial markets, he argues that the Bank still has "a very strong traditional position of prerogative in the City". The governor's eyebrows may be backed with statutory powers rather than a dominant position in the markets these days. But used judiciously, they can still exact obedience in the Square Mile.

Speaking in his office yesterday, Mr Leigh-Pemberton said he was convinced that central bank independence is "an idea that is gathering momentum all round the world". He appreciates that Britain has a problem of reconciling independence with parliamentary accountability: "But I'm not convinced that this is insoluble."

Ashley Ashwood

Robin Leigh-Pemberton: Bank still has 'a very strong traditional position of prerogative in the City'

The way forward, he suggests, is to allow the Commons Treasury and Civil Service Select Committee to play a key role in holding the governor of an independent British central bank to account. "One or two MPs have said to me that answerability on the floor of the Commons is fundamental," he says. "But as a matter of fact, MPs have a much better opportunity to test an official or a governor in the select committee where you can follow a line of argument to its end over a period of three hours. On the floor of the House, you get a question, a supplementary and then perforce the matter moves on."

'On balance it is best that supervision is carried out in the central bank'

He believes a Treasury Committee report on the future of the Bank, which is due towards the end of this year, could be a good starting point for a "a very careful and considered debate" on the merits of Bank independence.

In the meantime, much of the obscurity and secrecy that used to surround the making of monetary policy by the Bank and Treasury has been stripped away as a result of the greater openness that has followed Britain's departure from the ERM and the adoption of a specific inflation target committing the government to keeping underlying inflation below 4 per cent over the rest of this parliament. This state of affairs is "quite the most satisfactory of my 10 years as governor", he says.

But the Bank, unlike some central banks, has other responsibilities besides achieving price stability. Is there not a danger that it will be subject to conflicts of interest if it retains responsibility for banking supervision or the welfare of British industry?

"I don't think there is. I find it surprising that people ask that question," he says. "I've never found a conflict of interest between our prime function, which is sound money, either with banking supervision or with the Bank's industrial finance policy.

"People may think one must go easy on banking supervision or one must go easy on monetary policy because of the strain on the banks. Quite the opposite, we must make sure the financial sector remains vigorous in an environment of monetary stability. And the same goes for our work in industrial finance."

He is clearly worried by lapses in the City's commercial morality

Nor does he consider the problems that the Bank's supervisory department has faced in controversial cases such as the Johnson Matthey bank rescue of 1984 or the more recent closure of BCCI are reasons for the Bank to pull out of supervision.

"I understand the arguments for hiving off. And there have been moments when I've been sorely tempted to say the Bank would be better off to be relieved of this very difficult function. But my opinion still remains that on balance it is best that supervision is carried out in the central bank."

A free-standing supervisory authority would have to rely on intelligence provided by the Bank. At the same time, the Bank needs to "remain very close to the banking industry, partly in order to better work its market operations but chiefly also to have its finger on the pulse for lender of last resort functions".

But remaining close to banking does not mean taking an uncritical view of developments in the Square Mile. Lapses in the City's commercial morality clearly worry Mr Leigh-Pemberton. "People in the City are driven to cutting corners by competitive pressure," he says.

In this hyper-competitive world, the central bank governor has to use his powers differently than in the past. But the famous eyebrows can still have an impact.

"It is still possible to exercise powerful influence over leading figures in the City and its institutions. The reason one can do this nowadays is perhaps because of the background of statutory powers."

Whatever the reasons, the end can be effective. There have been cases where "one might have to say to a certain person or a certain house: 'Well look, the way you're conducting business, it's not really acceptable. Please accept my advice and adjust your style, because if not, we may have to think about a formal finding. And I'm sure you wouldn't like that'." Such tactics may be reminiscent of the old-boy network of past decades, but they have worked in his 10 years of office.

Looking back, Mr Leigh-Pemberton would like to be remembered for having helped bring inflation down. He is also pleased with the progress that Britain is making in European affairs although "there have been terrible ups and downs".

"But if you want me to answer you quite personally, I would like to be thought to have given good leadership to the City, the banking industry, even modestly internationally," he says.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Executives' pay should reflect value

From Mr Joel M Stern.

Sir, In "The gravy train bumps along" (June 22), Robert Rice asks how the executive gravy train – including huge pay-offs for failure – can be stopped. Unfortunately, the problem is not just pay-for-performance. The fundamental structure of "debt-equity" schemes is the true underlying problem. The sum of wages, retirement income and medical benefits, all senior liabilities of the firm, represent as much as 90 per cent of total compensation, with the 10 per cent remainder coming from equity claims in the form of variable pay, profit sharing, and shares or share options. This disequilibrium motivates managers to increase the firm's size, often with alarming results.

A far more sensible alternative is to alter the weighting to something closer to 50-50. Moreover, bonuses should be tied to the most significant operating result associated with creating share value.

Research indicates that economic value added (EVA) is as much as three times as important as earnings dividend growth, and cash flow. EVA is total capital multiplied by the difference between the rate of return on total capital and a cut-off or threshold rate of return for risk.

To make maximum EVA an incentive, managers should receive a percentage of the amount of EVA as a first bonus, and a second bonus based on a percentage of the change (or improvement) in EVA. There should also be a distinction between declared and paid bonuses.

I suggest only one-third be paid immediately and the remaining two-thirds be deposited into a bonus bank to be paid later. The two-thirds is subject to loss if the change in EVA next year and the year thereafter is sufficiently negative or if the manager/employee leaves. A proportion of the bonus can be used to purchase share options that have a rising exercise price.

More than 50 companies have implemented EVA incentive schemes and the results have been phenomenal. Boards of directors have aligned the interests of shareholders and managers, and realigned the distribution between senior liability claims and equity claims. Most importantly, there cannot be any pay-off for failure.

Joel M Stern,
managing partner,
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System fails if wages have to fall

From Mr Derek Reed.

Sir, Edward Balls' report on rising unemployment in the European Community ("A labour market gripped by 'Euro-sclerosis'", June 21) suggested that the only solution lay in following the experience in the US, whose better performance on employment be attributed to falling real wages. He did not, however, discuss the further question which his analysis prompts, though it stared the reader so closely in the face: why, in a time of rising productivity, *should real wages have to fall?*

To turn to basics, rising productivity means that the average unit of labour (or, to non-economists, person) produces more goods and services. Falling real wages mean that that same person is rewarded for his or her labour with fewer goods and services.

To argue that mass unemployment can be avoided only by falling living standards at a time of rising productivity and rising productive potential is surely to point to a massive failure of our economic system. Equally surely, an adequate response to mass unemployment must start by identifying the source of that failure.

Derek Reed,
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Mortgage arrears gloom overdone

From Mr Adam Cole.

Sir, Your article ("Mortgage arrears leap", June 21) may well overstate the gloom surrounding the mortgage arrears data you report, although the overall *rise* in mortgage arrears over the last year was, of course, disappointing. Your analysis misses an important statistical point. You asserted that, in spite of a halving in mortgage rates since 1991, the number of households in two or more months' arrears rose by 27,000 in the year to the end of March. This made no reference to the fact that, because mortgage rates have fallen (by 3 percentage points over the period), many people find themselves more *months* in arrears – although their *level* of *arrears has* not increased. An individual who is six months in arrears with mortgage rates at 16 per cent is 12 months in arrears if mortgage rates fall to 6 per cent and the monthly repayment halves.

As the number of home-owners in arrears for shorter periods fell sharply (down by 43,000 for arrears of less than six months), while the number in arrears for longer periods increased (up by 73,000 for more than six months), this technical effect may account for a large part of the increase in longer-term arrears. The success of the government in persuading lenders not to repossess such homes probably played a relatively minor role.

Adam Cole,
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Suchocka government wasted chances

From Prof Kazimierz Stanczak.

Sir, As a Pole and an economist, I completely disagree with your editorial, "Poland on a detour" (June 2), which is sympathetic to the toppled government of Miss Suchocka.

This government's preoccupation has been with pleasing the International Monetary Fund, by implementing an archaic economic theory dogmatically allergic to any budget or trade deficit. Yet, economic research in the last 20 years has shown that, in the case of temporary government spending, such as paying for a transition away from communism, an optimal policy would include budget deficits. Also, under certain conditions, the precise way the government is financed (via debt or economically efficient taxes, for example) is irrelevant.

Furthermore, a country which moves from a low-efficiency to a high-efficiency state should borrow, not pay back or lend. It should, in other words, run a current account deficit.

Miss Suchocka's cabinet has also spent its energy on a hand-holding approach to mass privatisation and introduced new taxes (22 per cent VAT, for example), tariffs (which are due to increase by 6 percentage points) and so forth. But the government has failed to recognise the importance of laws to establish property rights, promotion of competition and growth through the accumulation of skills. It has also chosen not to be bothered by the 14 per cent rate of unemployment.

As expected, the efforts of Miss Suchocka to change the European Community policy towards Poland have produced nothing. Poland's competitive exports continue to face obstacles and, having adopted EC tariffs as well, Poland ends up protecting jobs where EC industry is most inefficient, jobs which sometimes the country does not even have. The cabinet has foregone a more natural option for a small country: a multilateral approach that would include free trade areas with a large number of countries, including the US.

With Poland's crime rate going through the roof and the quality of schools going down the drain, the Suchocka government's incompetence and lack of vision has wasted another chance for Poland and her teething capitalism.

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FINANCIAL TIMES
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Wednesday June 23 1993

A global test for Germany

THE WEST's disarray in the face of Bosnian and Somali bloodshed has not facilitated Germany's efforts to inch towards a new role in foreign policy. In 1990, German politicians spoke persuasively of the need to fulfil the country's weightier post-unity responsibilities. Above all, they started to search for a legal and political mechanism to allow the German army to take part in peace-keeping missions outside Nato.

Three years later, Bonn is still looking for a means of carrying out this goal in a way which commands a domestic consensus and which is practical. It is in the interest of Germany and of the rest of the world that this aim is accomplished. Unless it can participate fully in peace actions launched by the United Nations, Nato, or the European Community, Bonn will not be able to play the international political part justified by its economic stature.

The hearings yesterday at the constitutional court over Bonn's dispatch of troops for the UN mission in Somalia highlight Chancellor Helmut Kohl's difficulties. Discomfited by the US-led attacks in Mogadishu earlier this month, the opposition Social Democrats (SPD) are undertaking emergency action to try to overturn the decision to send 1,700 German troops to east Africa. The UN secretary general will tell Mr Kohl in Bonn today that the Bundeswehr's presence in western Somalia is vital.

The constitutional judges seem likely to dismiss the SPD's arguments. Two months ago, they turned down a similar bid to withdraw German airmen from Nato aircraft enforcing the UN no-fly zone over Bosnia. However, Mr Kohl's government is still immersed in wearisome negotiations over constitutional changes to clarify the overall legal framework for Bundeswehr deployment.

The decisive element in this juridical quagmire is likely to be the question of political will. Mindful of the constitutional limits, Mr Kohl's government has, sensibly, been extremely cautious in using the country's armed forces in the Bosnian and Somali conflicts. However, in other policy-making fields, Bonn's stance has been less restrained.

German pressure was the main reason for the EC's rash decision to recognise Croatia in December 1991. Yesterday, Mr Kohl called for the EC to lift its arms embargo against the Bosnian Moslems, risking yet another EC split. Meanwhile, Mr Klaus Kinkel, the foreign minister, has ruffled feathers in the UK and France by suggesting that Germany should become a permanent member of the UN security council. These ill-judged actions cannot be ignored when they come from a government as important as Germany's. This makes it all the more important that Bonn should adjust its constitutional and political framework in line with its international responsibilities. Germany's willingness to place its military at the service of the international community is a concrete test of this process.

BTU tax RIP

THE ENERGY tax which President Clinton announced in February was that rare thing: a tax that would raise money and improve economic efficiency at the same time. Four months of special pleading later, the chances that it will do either are fading fast. Mr Clinton's difficulties hold important lessons for governments chasing the same prize.

When first unveiled, the BTU (British thermal unit) tax was the cornerstone of Mr Clinton's deficit-cutting package, intended to raise $72bn over five years. The final version has yet to emerge from Congress. But the idea of taxing fuels on their thermal content has already been dropped. So too has the revenue figure, now likely to be some two-thirds lower. What went wrong?

As with much of the Clinton plan, the BTU tax began life as a careful compromise, less green – and trickier to collect – than the carbon tax the purists would have wanted, but apparently more likely to survive. Unfortunately, the horse trading did not end there. Both efficiency and clarity of purpose were the losers.

Increasing the price of fuels with a tax improves economic efficiency to the extent that it makes people pay the full social cost of using the fuel. Not all fuels impose the same costs. If a tax is to capture the differences between them, it must be shamelessly selective, hurting some energy users more than others. The problem is finding a way to sell such a seemingly capricious tax. As Mr Clinton discovered, the result can be a costly mess.

Complicated taxes are usually the result of pinning several distinct aims to a single mast. In the case of the BTU tax, Mr Clinton tried to meet an environmental objective, while giving into the demands of "dirty" fuel lobbies and holding on to future revenues. The predictable result was an exemption-ridden monstrosity, too complicated to collect or, indeed, to defend. When he abandoned the BTU tax altogether on June 9, it was a mercy killing.

Finding a replacement seems just a local US difficulty. Some kind of generalised fuel levy is likely, along with further budget cuts to make up the revenue shortfall. Both are clearly desirable in their own right. For environmentalists, however, a uniform tax is a blunt instrument, since it fails to match tax paid to relative damage done.

This is why non-Americans should pause. There may be little new in the sight of yet another US president trying to introduce the kind of fuel taxes which have long been accepted in other OECD countries. But Mr Clinton began on a fresher path, which many in Japan and the EC wish to follow. His ambition was to combine an environmentally nuanced idea of efficiency with cutting the budget deficit. After the death of the BTU tax, governments may well wonder whether both can be tackled at once.

Risk at Lloyd's

BLIGHTED LIVES, dashed hopes, wrecked health and happiness: after any great boom comes the reckoning. The boom at Lloyd's in the 1980s was proportionately as great, in terms of reckless overcapacity, as in any of the world's financial markets. The tragedies are those of gullible people sucked into a bubble.

Lloyd's victims feel a special bitterness. Membership of the society was too often offered as a privilege of friendship, not a commercial investment. The bitterness of this legacy, and the litigation to which it has given rise, is one of Lloyd's most pressing problems.

Unless it is resolved, it poisons the market's chances of building on the sharp recovery in the underlying conditions of business reported at yesterday's AGM. It will prevent the large-scale influx of new capital, probably in a corporate, limited-liability form, on which Lloyd's future depends.

The losses of the worst-hit groups of syndicates, those where Names have the best chance of making a legal case against the former managers, run to at least £1.5bn. Where can the money be found to settle these claims out of court? One possible source is the funds available in the E&O syndicates – the insurers who would bear the cost of any proven misconduct by managers – which for these syndicates are put at £700m-£900m.

The E&O insurers would obviously seek to avoid paying out this much, and a contribution from Lloyd's central funds would also be necessary. The Lloyd's management appears to be hoping to keep any such contribution, effectively a levy on the general membership, below £100m.

So the chances of a settlement revolve around how much the E&O insurers can be pushed into paying, how much more Lloyd's is prepared to pay from central funds, and the proportion of the losses which the Names can be bear. This crude arithmetic suggests that a deal to pay, say, 50p in every pound of these syndicates' losses is just about achievable, if the Names can be persuaded to settle for such a figure.

If they cannot, or if the funds run short even at this level, Lloyd's may find itself pressed to re-examine the options it has fiercely rejected – levying an extra entry fee on would-be corporate investors; or borrowing against future profits to pay off past losses.

The stakes are high. Without a solution, Lloyd's may be unable to trade its way back to prosperity and a secure future. Lloyd's deserves the best efforts of its managers and members in the crucial phase of negotiations over the settlement that lie ahead. Meanwhile, down in the Caribbean, the hurricane season is starting. A string of natural disasters, depleting the market's capital, would greatly hamper the task of finding the money for a settlement. The odds are very finely balanced.

An uphill task for earthlings

The Rio Earth Summit offered inspiration, but it ignored some vital issues, writes Bronwen Maddox

One year after the Rio Earth Summit, the world's most ambitions attempt to address global environmental issues, ministers from more than 50 countries have the opportunity to assess its legacy.

In New York today, they will hold the first meeting of the United Nations Commission for Sustainable Development, which is intended to help turn the summit's principles into reality.

The summit's long-term impact is hard to judge, because recession has pushed the environment down the political agenda in many countries. The past year has, however, justified the warning of Mr Maurice Strong, Rio's organiser, that "we simply cannot save the world in a one-shot quick-fix conference".

Progress towards many of the specific targets set by the summit has been slow, although Rio has won credit for changing attitudes in both developing and industrialised countries. And pressing questions remain about whether Rio's aims – from international treaties to raising environmental awareness – were the right ones.

Rio produced two main treaties – a framework convention on climate change to help curb the threat of global warming, and a biological diversity convention, to help preserve the number and distribution of the world's species.

Twenty-six countries have ratified the climate change convention out of the 166 that signed it. These countries, including three of the biggest present or future emitters of gases – the US, China and Japan – are committed to producing plans within a year for curbing "greenhouse gases". The total number may seem small, but the convention will become international law when 50 have ratified; up to another 44 countries, including the UK, expect to ratify later this year.

That tally is better than some critics of Rio feared in its immediate aftermath. The target may have helped focus minds – several countries are well advanced in plans for curbing the gases, particularly carbon dioxide. Governments have found energy taxes particularly attractive – for instance, the UK brought in new fuel taxes in the March Budget. Environmentalists argue that such taxes are better at raising money than at persuading people to use less energy.

But there have been recent signs that momentum on the climate change convention is flagging. The Clinton administration is modifying its proposal for a nationwide energy tax in the face of congressional opposition. The European Community is also embroiled in a long-running dispute between member countries on the feasibility of an energy tax weighted towards fuels with the highest carbon content.

The biodiversity convention has encountered similar problems. One of Rio's dramas was the refusal of the US under President George Bush to sign it. The administration's objections stemmed apparently from the potential threat to the US biotechnology and pharmaceuticals industries, but it was alone among the leading industrialised nations in opposing it.

Three weeks ago the Clinton administration, which has made much of its "green" intentions, finally added its name. But of the 168 countries which have signed, only 20 have ratified, including only four that are particularly rich in species – China, Ecuador, Mexico and Peru. The treaty still needs another nine ratifications before it can come into force.

One of the difficulties in implementing the conventions has been funding. The World Bank's Global Environment Facility, set up in 1990 to help developing countries finance environmentally beneficial projects, is currently supporting more than 100 projects.

However, the facility has faltered on two counts: first, international wrangling over the criteria used to pick projects; second, its budget is small compared with its aims – the $1.3bn pledged by World Bank donor countries for its three-year pilot phase has nearly gone. In Beijing last month, some 60 participants in the facility estimated that it would need from $2.8bn to $4bn over the next three to five years.

Apart from the two flagship conventions, a host of broader, but less specific, measures was agreed at Rio: a statement of aims for forests, a declaration of environmental principles, and the Agenda 21 action plan – an 800-page plan for achieving global "sustainable development". The task of turning these high-minded but ill-defined proposals into environmental improvement falls to the new Commission for Sustainable Development.

While today's inaugural meeting of the commission seeks to do no more than set up reporting procedures and administration, some observers are sceptical that it can live up to its wide remit. One close observer of the preparations says: "They are already arguing over tiny phrases within sub-clauses – it's just like Rio all over again." But other officials and advisers report a "refreshing" and unexpected absence, so far, of the north-south divides that characterised much of the Rio debate.

Some feel that the apparent narrowing of the gap between north and south in the past year reflects a change in underlying attitudes since Rio.

Mr Richard Sandbrook, director of the International Institute for Environment and Development, an independent think-tank, says: "Rio's effect on governments is remarkable. It has changed attitudes in developing countries more than in the OECD. A lot of them, such as Zimbabwe and Pakistan, are drawing up sustainable development plans in a way they would not have done before."

By setting a precedent for international consensus, the Rio conventions may have helped push through last November's international treaty, agreed in Copenhagen, on curbing damage to the ozone layer.

Mr Chris Hampson, a board director of ICI, the UK chemicals group, and a former member of the UK's recently disbanded Advisory Council on Business and the Environment, which was set up by the Department of the Environment, argues that Rio also brought about a change in businesses' approach to the environment. "It was the first international conference in which business was brought in officially. It recognised that in the end business will have to deliver the goods," he says.

Despite such endorsements, the question of whether Rio had the right priorities remains. Climate change still heads many governments' lists of environmental concerns, and environmental groups report considerable public support for the issue. But biodiversity questions have been partly eclipsed, at least in the public mind, by recent battles over commercial whaling.

US and UK government officials also say privately that Rio's emphasis on sustainable development and the third world is remote from the public's environmental priorities, which tend to focus on conservation of the countryside. Several academic economists have taken a tilt at the notion of sustainable development promoted by Rio. They argue that the concept is confused, given that any economic activity uses up some irreplaceable resources.

Most important, perhaps, is that in the past year it has become clear that Rio ducked several environmental issues which will dominate the next decade. It had almost nothing to say on the growing conflict between proponents of free trade and environmental regulation. Such battles have come to the fore recently, for example, in the US's dispute with the General Agreement on Trade and Tariffs about whether it can ban imports of Mexican tuna fish.

Rio was likewise reticent on the subject of population growth and birth control, for fear that controversy would scupper the whole conference. Last week, Mr Al Gore, the US vice-president, chose to devote much of his Rio anniversary speech to these topics.

The limitations of Rio's agenda do not mean that its impact should be dismissed. At the very least, by gathering together ministers from more than 100 countries, it established the principle that some environmental issues are global and urgent, requiring international co-operation at the highest governmental level.

But the record so far of the Rio signatories in devising practical answers to problems of climate change and biodiversity is mixed. Rio called for long-term solutions to long-term questions, but both its supporters and critics want to know how long they should wait. On its first anniversary, Rio offers inspiration for tackling the planet's environmental problems, but has not yet produced solutions.

An antidote to financial distress

PERSONAL VIEW

Against a background of profound changes in recent years in the scope and nature of government involvement in economic activities, the idea of a partnership between government, banking and business to help stimulate economic recovery is gaining increasing attention. Such a partnership was recently advocated by Brian Pearse, Midland Bank chief executive (Personal View, May 14), as being capable of addressing three key areas where financial distress is most likely to affect small enterprises. These were their overdependence on short-term, fickle and often expensive liabilities, the shortage of equity funds and long-term debt, and their vulnerable cash flows.

This idea of a partnership, in the grey area where there is still scope for private initiative and public involvement to come closely together, echoes one of the themes debated at the meeting of European heads of state in Edinburgh last December. On that occasion, there was a unanimous recognition both of the need to alleviate the impact of the recession on small businesses and of tha fact that this would be more efficiently and economically achieved through a pooling of public and private initiatives and resources.

As a consequence, on top of temporary measures designed to stimulate economic growth, it was decided to create tbe European Investment Fund (EIF), an alliance among Europe's banks, the European Commission and the European Investment Bank (EIB). Initially, the main activity of the EIF will be to provide loan guarantees both to European small and medium-sized enterprises (SMEs) and to trans-European networks projects, the latter mostly in the fields of telecommunications, transport and energy. At a later stage, the interventions of the EIF may be extended to include equity finance.

The initial subscribed capital of the EIF will be Ecu2bn (about £1.6bn at current exchange rates), of which 30 per cent is to be supplied by European banks, 30 per cent by the Commission and 40 per cent by the EIB. The amounts of investments and commitments tbe EIF can take on could eventually be as much as eight times its subscribed capital, or some £12.8bn worth of guarantees and investments.

The EIF's activities will be conducted entirely on the basis of market principles, and will include the duty to seek an sdequate remuneration to the capital employed by its shareholders. The necessary preparatory work is well under way, and we bope to start operations by year-end.

The European Investment Fund could help alleviate two enduring market failures

Though not the first attempt at marrying private financial institutions witb public agencies (a few similar cases have successfully been implemented in the US in the field of mortgage guarantees for residential housing), it is nonetheless an innovation in the European financial landscape. The expectation is that it could go some way towards alleviating two enduring market "failures", or "market needs".

The first of these market failures is the lack of long-term guarantee mechanisms capable of drawing sufficient private funds to the infrastructure projects so vital to a well-functioning European single market. This will be the main area of sctivity of the EIF, at least in its initial phase.

There are two main objectives. One will be to facilitate an increased involvement of traditional providers of funds, such as banks, by reducing their capital requirements or transferring risk exposures.

The other will be to attract new investors by relieving them of certain types of project risks or by adding liquidity to the financial claims backing infrastructure projects. Either way, the intervention of the EIF would aim at enhancing existing market mechanisms and widening the pool of funds directed at these projects.

The second market need thet the EIF will try to address is the thin and often highly volatile flow of long-term debt and equity funds to Europe's small companies, a key component of the Community's productive sector. Here, the EIF would complement the existing public loan guarantee schemes and other market mechanisms by offering loan guarantees to financing facilities which support investments by SMEs. It would thereby ease smaller companiee' access to long-term finance, and make available better and cheaper terms and conditions.

To pick up Brian Pearse's theme again, tbe EIF will represent exactly the kind of co-operative action between government, banks and businesses that he advocates. In taking it forward, the EC member states and the founding members of the EIF will aim to help get Europe's economies back on their feet and make them better able to respond to the competitive challenges of increasingly open world markets.

Sir Brian Unwin

The author is president of the European Investment Bank

OBSERVER

Retainer wanted

■ The Vesteys, one of Britain's most secretive and old-fashioned family businesses, has decided to call it a day. They have hired a firm of head hunters to find a new chief executiva and chief financial officer to take over the day-to-day management of their empire.

Most big family companies facing the scale of problems that the Vesteys currently face would have long since called in outside help. Indeed, Lonrho's Terry Robinson was drafted in 18 months ago to save Union International, the biggest bit of the Vestey empire.

Perhaps because Robinson is doing such a good job, Edmund and Sam, the two Vestey cousins, have decided thet what they need now is e professional chief executive, plus cfo, to head a new management company which will oversee the Union meat business, Vestey's shipping interests and any other bits of the family silver which might be thrown in.

Edmund Vestey will become non-executive chairman and there will still be other Vesteys on tha board. But strategic and day-to-day control will be transferred to professional managers. The job has its attractions. After all, the Vestey empire has a £1.5bn turnover and any chief executive will be well rewarded. There is even a hint that the Vesteys might want to unlock some of their wealth via a stock market float one day.

The downside is that the business owes its bankers a lot of money and it could be difficult running a family business if the owners do not always see eye to eye and Terry Robinson feels his position is being undermined.

Hush hush

■ It will be steady as she goes when Maersk Mc-Kinney Moller retires from the everyday management of Denmark's A. P. Moller group, one of the world's big shipping companies, next week.

Moller, 80 next month, almost never gives interviews and his group discloses as little financial information as it decently can. But when Jess Söderberg, 48, formerly financial manager of the group, takes over from Moller, the old man will still be very much to evidence. He will remain as chairman of the group's twin parent companies, the listed D/S Svendborg and D/S 1912, founded by his father, Arnold Pter Moller, at the beginning of the century. No surprise then that a prompt request by the FT for an interview with Soderberg to mark the changing of the guard was politely declined.

BT3 - the end

■ Roll on July 14 when the third and final sale of BT shares will bring to an end the appalling TV adverts for the offer featuring the bumbling Inspector Morose played by comedian Mel Smith. Dreamt up by advertising agency WCRS, the BT3 campaign is (for anyone fortunate enough to have missed it thus far) a weak parody of Thames TV's Inspector Morse series, based on Colin Dexter's opera-loving detective.

Actually, Observer can put viewers out of their misery even sooner by revealing how the whole thing ends. The mystery share-buyer turns out to be none other than John Thaw, the actor who plays Inspector Morse in "real life". The showdown is in the south of France, scene of Thaw's poorly-received appearance in another TV series, Peter Mayle's A Year in Provence.

Do hope this little bit of inside information doesn't result in the BT3 issue staging an equally spectacular flop.

'There could be a free knighthood for whoever sorts this out'

Poetic licence

■ Odd how the owners of some of the least attractive buildings in the country regard themselves as stewards of the country's artistic heritage.

Take Slough Estates, the UK's biggest industrial landlord. It is running a poetry competition about the aesthetic merits of Slough to redress the injury inflicted on the town by John Betjeman's "disgraceful" poem. British Land - owner of a motley collection of supermarkets, offices, and trading estates - accompanies its latest annual report with pictures by Ben Nicholson and some pretentious prose.

Drawing a parallel between Nicholson's avant-garde work and the company's portfolio, it declares that: "through the work that illustrate this report we sense his concern for observation and discernment, his feeling of balance and proportion - qualities thet British Land regards highly in its own portfolio."

Out but not down

■ Twenty odd years in New York is a long time for a German banker. Obviously something of the American entrepreneurial spirit has rubbed off on Barthold von Ribbentrop who is quitting Deutsche Bank, after a 22-year stint, the bulk of it in North America, to set up his own investment fund.

"I think at my age it's still not too late to have another go at doing something entrepreneurial" the 52-year-old son of the Third Reich foreign minister said cheerfully yesterday as ha enunciated plans for his new investment vehicle that is to concentrate on medium-sized German companies.

Returning from the Big Apple in 1986, he discloses one of his most valuable roles, in building tha bank's securities operation, was sitting firmly upon endeavours to buy up (unnamed) stockbrokers in London and elsewhere. "This would have been a total disaster" he says with refreshing honesty.

Just one step away from a board position, one of the most prestigious possible trophies in corporate Germany, he was in no mood to admit to any tinge of regret yesterday. "The money may be better but the job is awful".

Misguided

■ The Lawyer magazine, which should know what it is talking about, reports that The Law Society is publishing a revised professional conduct guide for solicitors which is a third bigger than the previous edition five years sgo. As part of a cost-cutting exercise, 6000 guides will be sent to each firm.

FINANCIAL TIMES
Wednesday June 23 1993

US increases duties on steel from 19 countries

By Nancy Dunne and Lisa Bransten in Washington

THE US Commerce Department yesterday significantly increased many of the preliminary duties it imposed in January on $3.2bn of steel products from 19 countries.

The tariffs, which are collected and held in escrow, will only become final if the US International Trade Commission rules that imports injure the US industry, a finding scheduled for release on July 27.

Cockerill Sambre of Belgium sustained one of the largest increase when its duty on hot-rolled steel soared from less than 5 per cent to just over 62 per cent. France's Usinor-Sacilor will find its duty leaping from 12.4 per cent to nearly 80 per cent for hot-rolled steel. The tariff on all of Japan's hot-rolled steel jumped from 26.7 per cent to 40.2 per cent. The new tariff levels ranged as high as 109.22 per cent on British Steel's heavy plate.

Other levies included 109 per cent on steel plate from Brazil's Cosipa; and 73 per cent for all Italy's subsidised producers, a rise from 59 per cent.

The findings came on 72 dumping and subsidy cases, which were filed last year against producers of flat-rolled steel after efforts to negotiate a multilateral steel agreement collapsed.

The steel findings are considered by US officials to be the result of a quasi-judicial process, deliberately separated from politics. US trading partners say the findings almost always favour the US industry.

To buttress their case, US steel producers argue that they have been badly damaged by secret deals between European Community, Japanese and Korean cartels, which divert cheap steel into the "open" US market.

These charges were contained in a 10-volume brief, delivered Monday by the steel industry to the ITC. The companies say the danger to them is particularly dire in respect to EC mills, "where a producers' group, the so-called London Club, informally divides and allocates world export markets".

According to the filing, "in the EC, surplus capacity has been propped by massive subsidies and a succession of administered cartels, based on production ceilings. The EC and Japan have strict limits on the quantities of steel which are to be traded between themselves. Japanese mills have entered into similar two-way quantitative restraint agreements with Korea, Taiwan, Indonesia, Australia, New Zealand, Brazil and South Africa".

Mr Michael Meyer, a trade specialist with a law firm defending foreign steelmakers, said: "It is ironic that [US] steel companies are complaining of price-fixing when their remedy is price-fixing" worked out under US laws.

Call for change, Page 5

Bank of France sees anchor role for franc in ERM

By Peter John and Sara Webb in London and Lionel Barber in Copenhagen

THE Bank of France stressed its desire yesterday to see the franc as an anchor currency within the European exchange rate mechanism.

Speaking at a seminar in London to senior economists and central bank officials, Mr André Icard, the head of research at the Banque de France, said: "The French franc is sharing the duty of anchoring the [European exchange rate] mechanism ... the D-Mark is impossible to avoid as an anchor but other currencies will share the responsibility."

His comments follow the recent strengthening of the franc and the steady decline in French short-term interest rates, which on Monday fell below those in Germany for the first time in 26 years.

Mr Icard said of the franc: "I am not saying it will become the anchor but it will become one anchor among others. The most important thing to me is that our interest rates are below those in Germany."

In Copenhagen, Mr Jacques Delors, president of the European Commission, agreed that the franc along with other "hard-core" EC currencies might take over temporarily the D-Mark's anchor role inside the ERM.

Mr Delors said recent cuts in French, Dutch and Belgian interest rates, which occurred independently of the German Bundesbank relaxing monetary policy, was a comforting example of European co-operation. "It shows that the system is not dominated by one single country or currency. But it should not be an excuse to sing *The Marseillaise*," he said at the EC summit.

EC officials acknowledged that German interest rates remained the most important long-term influence on the rest of the Community, and expressed hope that the Bundesbank would resume its cautious programme of rate cuts. One senior Brussels official predicted a move on July 1, before the Tokyo summit of the Group of Seven leading industrial countries.

Mr Icard's comments were interpreted by some economists as confirmation that the French government is keen to promote Paris as a possible site for a European central bank.

"The strength of the franc within the ERM is a further development of Paris as a financial centre," said Mr Icard. "The future of Paris is closely related to the soundness of the franc."

France's official interest rates have been lowered nine times in the past two months.

Bundesbank optimistic, Page 3
French bonds improve, Page 17

Japan's Liberal Democrats hit by defection of 44 MPs

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic party split yesterday when Mr Tsutomu Hata, the leader of a rebel faction, and 43 other members of parliament handed in their resignations in preparation for the launch of a new political party today.

The heads of the LDP's remaining five factions held a crisis meeting in an attempt to stabilise the party, which is in danger of losing further members between now and the general election called for July 18.

LDP officials conceded that the party could lose power, which it has held since 1955, while the Social Democratic party, formerly known as the Japan Socialist party, believes it could rule the country in a coalition with the Hata rebels.

If the LDP lost the election, Japanese foreign policy would be reviewed, but Mr Sadao Yamahana, the SDP chairman, yesterday told Mr Michael Armacost, the US ambassador to Japan, that a socialist-led government would still put special emphasis on the relationship with Washington.

"Whatever happens, I want to assure you that there will be no change regarding the high importance we accord to Japan's relationship with the US," Mr Yamahana told Mr Armacost, who is to be replaced by Mr Walter Mondale, former US vice-president.

The SDP has traditionally opposed a US-Japan Security Treaty signed in 1951. It also objected to the participation of Japanese troops in the UN peacekeeping operation in Cambodia, essentially because it wants the military to be disbanded.

While the LDP may be in danger of defeat, no clear pattern about the likely result has emerged from the opinion polls. A poll of 1,000 eligible voters by Mainichi Shimbun, a national newspaper, found that 79 per cent supported Mr Hata's defection from the LDP, but only 9 per cent would vote for his party.

After handing in his resignation yesterday, Mr Hata said that his group could not turn back having voted in favour of a no confidence motion against Mr Kiichi Miyazawa, the prime minister, on Friday night. "Japanese politics has already entered a new phase," Mr Hata said.

The meeting of faction heads from the LDP, which controls 232 members of the present 476-strong lower house, resolved to put aside factional differences for this election in an attempt to secure a parliamentary majority.

Mr Michio Watanabe, head of one faction, said the party should be able to work in a new parliament with some of the pro-reform rebels who resigned yesterday.

THE LEX COLUMN

Cable's Chinese puzzle

Cable and Wireless has pearls scattered around the world, but somehow lacks a thread to pull them all together. Hong Kong Telecom is a great property, despite the tightening of price regulation and the advent of competition in 1995. Last year, international call volumes grew by 26 per cent. Longer term prospects for Asian telephony growth are remarkable, with China alone aiming to install capacity equivalent to three times that of BT by the turn of the century.

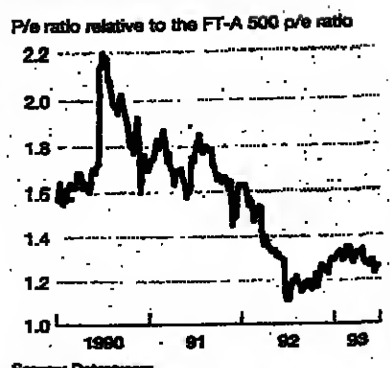
Mercury is now attacking the UK market on several fronts with the "one-two-one" cellular service a threat to both Vodafone's profit margins and BT's domestic customer base. Combined with cable tv, easy access to Mercury via the BT network and direct connection of larger customers, Mercury's market share will grow despite increasing competition for premium customers.

Other franchises such as Telecommunications of Jamaica are valuable niches. That said, Cable's stated ambition of using the Caribbean as a hub for operations in the western hemisphere looks a little fanciful. The company wants to take minority equity stakes in businesses around its hubs and provide value-added services to customers worldwide. Yet it is a relatively small player in the global telecoms market and needs to focus its efforts carefully. The management has yet to convince that it can do so. And if the 12 per cent dividend rise is a guide to expected long-term earnings prospects, the market will have to decide what sort of premium rating that prospect can command.

FT-SE Index: 2907.6 (+4.2)

Cable and Wireless

P/e ratio relative to the FT-A 500 p/e ratio



Source: Datastream

Lloyd's

Of all the self-regulatory structures put in place during the 1980s, the policing of Lloyd's insurance market has proved the least satisfactory. The sheer scale of yesterday's losses lends support to such a claim. But Lloyd's is also a uniquely opaque marketplace. As Mr David Rowland, Lloyd's chairman, admits, not even its management has a firm grip on the figures. Faced with such a paucity of information, and without a price mechanism for guidance, individual Names have been left in the not always capable hands of market professionals.

The proposed reform of the agency system – with more emphasis on syndicate analysis – should help improve the quality of information available to investors. The introduction of corporate members might also provide individual Names with useful signals as market conditions change. But that is no substitute for effective supervision. Lloyd's answer is to split the regulatory and commercial functions of its council, and promise a more vigorous approach to regulation. That echoes the approach championed for the wider City last month by Mr Andrew Large, chairman of the Securities and Investments Board. In both cases, this may be the last chance to make self-regulation work.

Germany

The Frankfurt stock market seems undaunted by the deepening recession and the reluctance of the Bundesbank to cut interest rates. The DAX index is again pushing up towards 1,700 despite a forward multiple, based on DB Research projections, of 20 times next year's earnings. Part of the impetus has come from foreign investors who have been trying to correct underweight positions in German equities. Such a technical motivation, though, still requires a belief that the market has further to go

There is a general expectation that a large swing in earnings could occur between this year and next if only because restructuring provisions will drop away. Judging by its cash-flow multiple, which excludes the effect of such provisions, the market does not look so expensive. Arguably, too, a high multiple says little about longer term valuations when earnings are at their trough.

But that argument holds good only if recovery is fairly quick and sustained. The trouble is that German companies cannot have their *Kuchen* and eat it. The weaker the currency – and the more there is talk of Germany losing its anchor status in the ERM – the less the Bundesbank will feel inclined to implement the monetary relaxation needed to pull the economy out of recession.

Rothmans

The 8 per cent rise in Rothmans International's shares and a corresponding 18 per cent leap in those of Dunhill Holdings suggests the UK market has high hopes for Richemont's proposed restructuring. There is certainly a managerial argument for re-organising Richemont's cascading shareholdings into two discreet industrial groups with separate listings. The previous objection was the ostensibly punitive tax implications. But the establishment of twinned UK and non-UK holding companies may permit Richemont to skirt such difficulties. This should also allow Rothmans and Dunhill to distribute surplus cash to shareholders more efficiently. With some £900m of cash sitting in the bank, Rothmans' largesse could be considerable.

The fusing of Dunhill and Cartier – in which Richemont and Rothmans both have stakes – would create an attractive international business, although both face tough trading conditions. The reshaping of Rothmans will leave it as a pure tobacco company supported by substantially enhanced dividend prospects.

Zeneca

By any standards, the 86 per cent take-up of Zeneca's rights issue must be judged a success. This is all the more so, given the sagging share price during the underwriting period. Since the underwriters and shareholders were much the same institutions, the issue was always an all-or-nothing affair. The overlap also left the company to sell the £1.3bn issue twice over. That may ultimately limit the capacity of the London market to handle large issues in the traditional way.

A US-style book building might relieve the problem of capacity created by such a large issue, but is difficult to square with investors' pre-emption rights. As GPA might testify, book building does not offer much certainty as to the proceeds of the issue. But the success of Zeneca's issue does not hide the limitations of traditional underwriting. If rights issues get much bigger, the system may require refining.

EBRD chief accused

Continued from Page 1

he would like to continue go on working for Mr Freeman.

Mr Attali's plan has received support from senior finance officials of the G7 group of industrial countries, which include the US. However, Mr Lloyd Bentsen, Treasury secretary, has been warned in a letter from Mr Claiborne Pell, chairman of the Senate foreign relations committee, that under US law Mr Pell must be consulted before any changes in EBRD vice-presidencies or any international financial institution, are put into effect.

EC promises more troops

Continued from Page 1

ing a fresh commitment to provide ground forces. But it revived the dormant debate over whether to lift the arms embargo.

Mr John Major, UK prime minister, ruled out arming the Moslems "at present", calling the policy a "counsel of despair". But he ruled out dispatching more British troops to Bosnia.

Mr Felipe González, prime minister of Spain, which also has troops in Bosnia, also opposed any increase in the Spanish contingent.

The impression that EC leaders were lukewarm about their own compromise was strengthened when Mr Alain Juppe, French foreign minister, said the major proportion of new troops for Bosnia should come from outside the Community. "But the EC must make a gesture," he said.

Mr Kohl made little effort to disguise his outrage that nothing was being done to prevent the Serbs and Croats from hanging on to their territorial gains.

Despite their differences over Bosnia, summit leaders reached agreement on a timetable for completing the next enlargement of the Community. They set a date of January 1 1995 as the date by which Austria, Finland, Sweden and Norway should enter the EC.

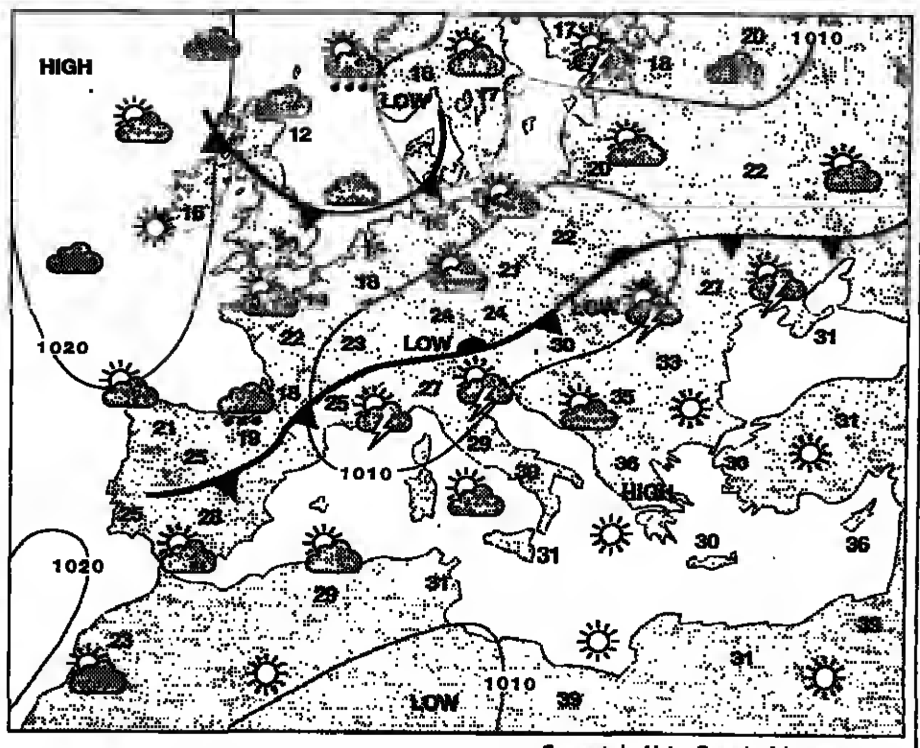
FT WORLD WEATHER

Europe today

It will continue quite warm in the southeast of Europe. A persistent high pressure area over Greece will lead to widespread sunshine with temperatures rising to around 40C in Bulgaria, Macedonia and Greece. In Scandinavia, unsettled condtions will continue with cool afternoon temperatures. Sunny spells can be expected in central parts of Sweden and Norway, but elsewhere, it will be very cloudy with occasional rain. Temperatures will stay below 20C. Around the North Sea, clouds will be prevalent with cool air arriving from the north, keeping temperatures below normal. Along the boundary line between warm and cool air, situated over the Alps and mid-Europe, thunder showers will develop this afternoon and evening.

Five-day forecast

A north to northwesterly flow will continue to cause tranquil but rather cool condtions over northwestern Europe. In the warm air over southern and central Europe, thunder showers will continue to develop. In Spain, temperatures will gradually rise during the next few days. Some cooling can be expected in southeast Europe by the weekend. In Scandinavia, it will continue cool and unsettled with temperatures below normal for the time of year.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

		Maximum Celsius
Abu Dhabi	sun	39
Accra	cloudy	28
Algiers	fair	29
Amsterdam	cloudy	17
Athens	sun	32
Bangkok	fair	36
Barcelona	shower	24
Beijing	thund	28
Belfast	fair	16
Belgrade	sun	35
Berlin	cloudy	20
Bermuda	fair	28
Birmingham	fair	15
Bogota	shower	17
Bombay	shower	32
Bordeaux	shower	23
Brussels	fair	20
Budapest	thund	29
Buenos Aires	fair	14
Cairo	sun	39
Cape Town	sun	15
Caracas	fair	27
Chicago	sun	29
Cologne	fair	21
Copenhagen	shower	17
D' Salaam	fair	24
Dakar	fair	29
Dallas	fair	34
Darwin	fair	32
Delhi	fair	38
Dubai	sun	40
Dublin	fair	16
Dubrovnik	fair	32
Edinburgh	cloudy	16
Faro	fair	24
Frankfurt	fair	24
Geneva	thund	23
Glasgow	cloudy	15
Hamburg	cloudy	16
Helsinki	fair	15
Hong Kong	fair	32
Honolulu	shower	30
Isle of Man	fair	16
Istanbul	sun	30
Jersey	sun	15
Karachi	cloudy	35
Kuwait	fair	40
La Paz	fair	17
Las Palmas	fair	25
Lisbon	fair	23
London	fair	20
Los Angeles	fair	22
Luxembourg	fair	22
Lyon	thund	25
Madeira	fair	25
Madrid	fair	28
Majorca	shower	27
Malta	sun	31
Manchester	fair	17
Manila	fair	34
Melbourne	shower	15
Mexico City	shower	24
Miami	sun	32
Milan	thund	27
Montreal	fair	24
Moscow	cloudy	18
Munich	shower	23
Nairobi	fair	24
Naples	sun	30
Nassau	fair	31
New York	fair	28
Nice	cloudy	25
Nicosia	sun	32
Oslo	shower	15
Paris	fair	23
Perth	cloudy	17
Prague	cloudy	21
R' de Janeiro	sun	24
Rangoon	rain	29
Reykjavik	fair	13
Riyadh	sun	43
Rome	fair	28
S' Francisco	fair	23
Seoul	fair	24
Singapore	thund	30
Stockholm	fair	17
Strasbourg	fair	24
Sydney	fair	17
Tel Aviv	sun	38
Tokyo	rain	23
Toronto	sun	22
Tunis	sun	31
Vancouver	shower	15
Venice	shower	26
Vienna	thund	26
Warsaw	cloudy	22
Washington	fair	29
Wellington	shower	13
Winnipeg	thund	31
Zurich	thund	24